

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, 2020

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 checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" 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 28, 2020, there were 45,765,533 shares of common stock, \$0.01 par value, outstanding.

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GLOSSARY OF OIL AND NATURAL GAS AND ELECTRICAL INFRASTRUCTURE TERMS

The following is a glossary of certain oil and natural gas industry terms used in this Quarterly Report on Form 10-Q (this “report”):

Acidizing	To pump acid into a wellbore to improve a well’s productivity or injectivity.
Blowout	An uncontrolled flow of reservoir fluids into the wellbore, and sometimes catastrophically to the surface. A blowout may consist of salt water, oil, natural gas or a mixture of these. Blowouts can occur in all types of exploration and production operations, not just during drilling operations. If reservoir fluids flow into another formation and do not flow to the surface, the result is called an underground blowout. If the well experiencing a blowout has significant open-hole intervals, it is possible that the well will bridge over (or seal itself with rock fragments from collapsing formations) down-hole and intervention efforts will be averted.
Bottomhole assembly	The lower portion of the drillstring, consisting of (from the bottom up in a vertical well) the bit, bit sub, a mud motor (in certain cases), stabilizers, drill collar, heavy-weight drillpipe, jarring devices (“jars”) and crossovers for various threadforms. The bottomhole assembly must provide force for the bit to break the rock (weight on bit), survive a hostile mechanical environment and provide the driller with directional control of the well. Oftentimes the assembly includes a mud motor, directional drilling and measuring equipment, measurements-while-drilling tools, logging-while-drilling tools and other specialized devices.
Cementing	To prepare and pump cement into place in a wellbore.
Coiled tubing	A long, continuous length of pipe wound on a spool. The pipe is straightened prior to pushing into a wellbore and rewound to coil the pipe back onto the transport and storage spool. Depending on the pipe diameter (1 in. to 4 1/2 in.) and the spool size, coiled tubing can range from 2,000 ft. to 23,000 ft. (610 m to 6,096 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	A term for the different manner by which resources are exploited as compared to the extraction of conventional resources. In unconventional drilling, the wellbore is generally drilled to specific objectives within narrow parameters, often across long, lateral intervals within narrow horizontal formations offering greater contact area with the producing formation. Typically, the well is then hydraulically fractured at multiple stages to optimize production.
Wellbore	The physical conduit from surface into the hydrocarbon reservoir.
Well stimulation	A treatment performed to restore or enhance the productivity of a well. Stimulation treatments fall into two main groups, hydraulic fracturing treatments and matrix treatments. Fracturing treatments are performed above the fracture pressure of the reservoir formation and create a highly conductive flow path between the reservoir and the wellbore. Matrix treatments are performed below the reservoir fracture pressure and generally are designed to restore the natural permeability of the reservoir following damage to the near wellbore area. Stimulation in shale gas reservoirs typically takes the form of hydraulic fracturing treatments.
Wireline	A general term used to describe well-intervention operations conducted using single-strand or multi-strand wire or cable for intervention in oil or gas wells. Although applied inconsistently, the term commonly is used in association with electric logging and cables incorporating electrical conductors.
Workover	The process of performing major maintenance or remedial treatments on an oil or gas well. In many cases, workover implies the removal and replacement of the production tubing string after the well has been killed and a workover rig has been placed on location. Through-tubing workover operations, using coiled tubing, snubbing or slickline equipment, are routinely conducted to complete treatments or well service activities that avoid a full workover where the tubing is removed. This operation saves considerable time and expense.

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

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Various statements contained in this report that express a belief, expectation, or intention, or that are not statements of historical fact, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, or the Exchange Act. In particular, the factors discussed in this report and detailed under Part II, Item 1A. Risk Factors in this report and our Annual Report on Form 10-K for the year ended December 31, 2019 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 affecting commodity price and production levels;
- the threat, occurrence, potential duration or other implications of epidemic or pandemic diseases, including the ongoing COVID-19 pandemic and its severity, or any government response to such threat, occurrence or pandemic;
- our ability to protect the health and well-being of our employees during the ongoing COVID-19 pandemic;
- logistical challenges and remote working arrangements;
- the performance of contracts and supply chain disruptions during the ongoing COVID-19 pandemic;
- general economic, business or industry conditions;
- conditions in the capital, financial and credit markets;
- our ability to obtain capital or financing needed for our operations on favorable terms or at all or continue to comply with financial maintenance covenants in our existing revolving credit facility;
- 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 outcome of the U.S. presidential election and resulting energy and environmental policies;
- our ability to execute our business and financial strategies;
- our ability to continue to grow our infrastructure services segment, recommence certain of our suspended oilfield services or return our natural sand proppant services segment to profitability;
- 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;
- outcome of a government investigation relating to the contracts awarded to one of our subsidiaries by the Puerto Rico Electric Power Authority and any resulting litigation;
- outcome of pending litigation discussed in this report;
- 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;
- access to and restrictions on use of water;
- technology;
- civil unrest or terrorist attacks;
- cybersecurity issues as digital technologies may become more vulnerable and experience a higher rate of cyberattacks in the current environment of remote connectivity;
- competition within the energy services industry;
- availability of equipment, materials or skilled personnel or other labor resources;
- our ability to maintain compliance with financial covenants under our revolving credit facility;
- 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, 2019, Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020, Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020 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.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

ASSETS	September 30, 2020	December 31, 2019
(in thousands)		
CURRENT ASSETS		
Cash and cash equivalents	\$ 13,884	\$ 5,872
Accounts receivable, net	373,160	363,053
Receivables from related parties	38,676	7,523
Inventories	13,297	17,483
Prepaid expenses	3,363	12,354
Other current assets	4,413	695
Total current assets	<u>446,793</u>	<u>406,980</u>
Property, plant and equipment, net	270,624	352,772
Sand reserves	66,093	68,351
Operating lease right-of-use assets	25,927	43,446
Intangible assets, net - customer relationships	452	583
Intangible assets, net - trade names	4,576	5,205
Goodwill	12,608	67,581
Other non-current assets	4,026	7,467
Total assets	<u>\$ 831,099</u>	<u>\$ 952,385</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 33,428	\$ 39,220
Payables to related parties	18	526
Accrued expenses and other current liabilities	35,482	40,754
Current operating lease liability	10,657	16,432
Income taxes payable	31,789	33,465
Total current liabilities	<u>111,374</u>	<u>130,397</u>
Long-term debt	89,800	80,000
Deferred income tax liabilities	29,423	36,873
Long-term operating lease liability	15,291	27,102
Asset retirement obligations	4,683	4,241
Other liabilities	6,357	5,031
Total liabilities	<u>256,928</u>	<u>283,644</u>
COMMITMENTS AND CONTINGENCIES (Note 18)		
EQUITY		
Equity:		
Common stock, \$0.01 par value, 200,000,000 shares authorized, 45,765,533 and 45,108,545 issued and outstanding at September 30, 2020 and December 31, 2019	458	451
Additional paid in capital	536,685	535,094
Retained earnings	40,756	136,502
Accumulated other comprehensive loss	(3,728)	(3,306)
Total equity	<u>574,171</u>	<u>668,741</u>
Total liabilities and equity	<u>\$ 831,099</u>	<u>\$ 952,385</u>

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,	
	2020	2019	2020	2019
(in thousands, except per share amounts)				
REVENUE				
Services revenue	\$ 55,279	\$ 85,783	\$ 169,002	\$ 394,645
Services revenue - related parties	8,565	15,000	35,228	95,910
Product revenue	4,815	9,710	18,171	40,381
Product revenue - related parties	1,875	2,924	5,625	26,439
Total revenue	70,534	113,417	228,026	557,375
COST AND EXPENSES				
Services cost of revenue (exclusive of depreciation, depletion, amortization and accretion of \$20,424, \$65,728, \$25,749 and \$77,028, respectively, for the three and nine months ended September 30, 2020 and three and nine months ended September 30, 2019)	41,445	91,813	154,397	382,607
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, 2020 and three and nine months ended September 30, 2019)	131	774	329	4,138
Product cost of revenue (exclusive of depreciation, depletion, amortization and accretion of \$2,689, \$7,344, \$4,019 and \$11,414, respectively, for the three and nine months ended September 30, 2020 and three and nine months ended September 30, 2019)	4,353	18,547	21,862	81,475
Selling, general and administrative (Note 11)	11,979	14,029	36,063	39,726
Selling, general and administrative - related parties (Note 11)	201	394	614	1,487
Depreciation, depletion, amortization and accretion	23,132	29,791	73,130	88,512
Impairment of goodwill	—	3,194	54,973	3,194
Impairment of other long-lived assets	—	3,348	12,897	3,348
Total cost and expenses	81,241	161,890	354,265	604,487
Operating loss	(10,707)	(48,473)	(126,239)	(47,112)
OTHER INCOME (EXPENSE)				
Interest expense, net	(1,098)	(1,398)	(4,207)	(3,472)
Other, net	7,943	6,368	23,489	34,944
Other, net - related parties	1,099	—	2,232	—
Total other income	7,944	4,970	21,514	31,472
Loss before income taxes	(2,763)	(43,503)	(104,725)	(15,640)
(Benefit) provision for income taxes	(6,193)	(7,794)	(8,979)	2,625
Net income (loss)	\$ 3,430	\$ (35,709)	\$ (95,746)	\$ (18,265)
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation adjustment, net of tax of (\$95), \$116, (\$49) and \$134, respectively, for the three and nine months ended September 30, 2020 and three and nine months ended September 30, 2019	324	(213)	(422)	493
Comprehensive income (loss)	\$ 3,754	\$ (35,922)	\$ (96,168)	\$ (17,772)
Net income (loss) per share (basic) (Note 14)	\$ 0.07	\$ (0.79)	\$ (2.10)	\$ (0.41)
Net income (loss) per share (diluted) (Note 14)	\$ 0.07	\$ (0.79)	\$ (2.10)	\$ (0.41)
Weighted average number of shares outstanding (basic) (Note 14)	45,764	45,020	45,603	44,984
Weighted average number of shares outstanding (diluted) (Note 14)	46,571	45,020	45,603	44,984
Dividends declared per share	\$ —	\$ —	\$ —	\$ 0.25

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

MAMMOTH ENERGY SERVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)

	Three Months Ended September 30, 2020					
	Common Stock		Retained Earnings	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
	(in thousands)					
Balance at June 30, 2020	45,762	\$ 458	\$ 37,326	\$ 536,333	\$ (4,052)	570,065
Stock based compensation	3	—	—	352	—	352
Net income	—	—	3,430	—	—	3,430
Other comprehensive income	—	—	—	—	324	324
Balance at September 30, 2020	45,765	\$ 458	\$ 40,756	\$ 536,685	\$ (3,728)	574,171

	Three Months Ended September 30, 2019					
	Common Stock		Retained Earnings	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
	(in thousands)					
Balance at June 30, 2019	45,005	\$ 450	\$ 232,990	\$ 533,151	\$ (3,375)	763,216
Stock based compensation	17	—	—	1,133	—	1,133
Net loss	—	—	(35,709)	—	—	(35,709)
Other comprehensive loss	—	—	—	—	(213)	(213)
Balance at September 30, 2019	45,022	\$ 450	\$ 197,281	\$ 534,284	\$ (3,588)	728,427

	Nine Months Ended September 30, 2020					
	Common Stock		Retained Earnings	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
	(in thousands)					
Balance at December 31, 2019	45,109	\$ 451	\$ 136,502	\$ 535,094	\$ (3,306)	668,741
Stock based compensation	656	7	—	1,591	—	1,598
Net loss	—	—	(95,746)	—	—	(95,746)
Other comprehensive loss	—	—	—	—	(422)	(422)
Balance at September 30, 2020	45,765	\$ 458	\$ 40,756	\$ 536,685	\$ (3,728)	574,171

	Nine Months Ended September 30, 2019					
	Common Stock		Retained Earnings	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
	(in thousands)					
Balance at December 31, 2018	44,877	\$ 449	\$ 226,765	\$ 530,919	\$ (4,081)	754,052
Stock based compensation	145	1	—	3,365	—	3,366
Net loss	—	—	(18,265)	—	—	(18,265)
Cash dividends paid (\$0.25 per share)	—	—	(11,219)	—	—	(11,219)
Other comprehensive income	—	—	—	—	493	493
Balance at September 30, 2019	45,022	\$ 450	\$ 197,281	\$ 534,284	\$ (3,588)	728,427

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,	
	2020	2019
	(in thousands)	
Cash flows from operating activities:		
Net loss	\$ (95,746)	\$ (18,265)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Stock based compensation	1,598	3,367
Depreciation, depletion, accretion and amortization	73,130	88,512
Amortization of coil tubing strings	359	1,236
Amortization of debt origination costs	703	245
Bad debt expense	2,306	1,230
(Gain) loss on disposal of property and equipment	(927)	245
Impairment of goodwill	54,973	3,194
Impairment of other long-lived assets	12,897	3,348
Inventory obsolescence	—	1,349
Deferred income taxes	(7,334)	(32,183)
Other	581	(539)
Changes in assets and liabilities:		
Accounts receivable, net	(11,707)	(33,042)
Receivables from related parties	(31,152)	2,622
Inventories	3,827	1,415
Prepaid expenses and other assets	8,803	3,713
Accounts payable	(5,211)	(27,187)
Payables to related parties	(508)	117
Accrued expenses and other liabilities	(3,166)	(19,121)
Income taxes payable	(1,644)	(72,501)
Net cash provided by (used in) operating activities	1,782	(92,245)
Cash flows from investing activities:		
Purchases of property and equipment	(5,873)	(34,637)
Purchases of property and equipment from related parties	(76)	(253)
Contributions to equity investee	—	(680)
Proceeds from disposal of property and equipment	4,859	2,491
Net cash used in investing activities	(1,090)	(33,079)
Cash flows from financing activities:		
Borrowings from lines of credit	30,800	138,000
Repayments of lines of credit	(21,000)	(58,000)
Principal payments on financing leases and equipment financing notes	(1,423)	(1,534)
Dividends paid	—	(11,219)
Debt issuance costs	(1,000)	—
Net cash provided by financing activities	7,377	67,247
Effect of foreign exchange rate on cash	(57)	50
Net change in cash and cash equivalents	8,012	(58,027)
Cash and cash equivalents at beginning of period	5,872	67,625
Cash and cash equivalents at end of period	\$ 13,884	\$ 9,598
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 3,637	\$ 3,280
Cash paid for income taxes	\$ 13	\$ 116,448
Supplemental disclosure of non-cash transactions:		
Purchases of property and equipment included in accounts payable and accrued expenses	\$ 2,032	\$ 1,203

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.” or the “Company”), together with its subsidiaries, is an integrated, growth-oriented company serving both the oil and gas and the electric utility industries in North America and US territories. Mammoth Inc.’s infrastructure division provides construction, upgrade, maintenance and repair services to various public and private owned utilities. Its oilfield services division provides a diversified set of services to the exploration and production industry including pressure pumping, natural sand and proppant services and drilling services. Additionally, the Company provides coil tubing services, equipment rentals, full service transportation, crude oil hauling, remote accommodation services, oilfield equipment manufacturing and infrastructure engineering and design services.

The Company was incorporated in Delaware in June 2016 as a wholly-owned subsidiary of Mammoth Energy Partners LP, a Delaware limited partnership (the “Partnership” or the “Predecessor”). The Partnership was originally formed by Wexford Capital LP (“Wexford”) in February 2014 as a holding company under the name Redback Energy Services Inc. and was converted to a Delaware limited partnership in August 2014. On November 24, 2014, Mammoth Energy Holdings LLC (“Mammoth Holdings,” an entity controlled by Wexford), Gulfport Energy Corporation (“Gulfport”) and Rhino Resource Partners LP (“Rhino”) contributed their interest in certain of the entities presented below to the Partnership in exchange for an aggregate of 20 million limited partner units. Mammoth Energy Partners GP, LLC (the “General Partner”) held a non-economic general partner interest.

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

At September 30, 2020 and December 31, 2019, Wexford and Gulfport beneficially owned the following shares of outstanding common stock of Mammoth Inc.:

	At September 30, 2020		At December 31, 2019	
	Share Count	% Ownership	Share Count	% Ownership
Wexford	22,055,766	48.2 %	22,045,273	48.9 %
Gulfport	9,829,548	21.5 %	9,829,548	21.8 %
Outstanding shares owned by related parties	31,885,314	69.7 %	31,874,821	70.7 %
Total outstanding	45,765,533	100.0 %	45,108,545	100.0 %

Operations

The Company’s infrastructure services include 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 pressure pumping 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 coil tubing, equipment rentals, crude oil hauling, full service transportation, remote accommodations, oilfield equipment manufacturing and infrastructure engineering and design services.

All of the Company’s operations are in North America. During certain of the periods presented in this report, the Company provided its infrastructure services primarily in the northeast, southwest and midwest portions of the United States and in Puerto Rico. The Company’s infrastructure business depends on infrastructure spending on maintenance, upgrade, expansion and repair and restoration. Any prolonged decrease in spending by electric utility companies, 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.

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 certain of the periods presented, the Company provided infrastructure services in Puerto Rico under master services agreements entered into by Cobra Acquisitions LLC ("Cobra"), one of the Company's subsidiaries, with the Puerto Rico Electric Power Authority ("PREPA") to perform repairs to PREPA's electrical grid as a result of Hurricane Maria. During the three and nine months ended September 30, 2020 and three and nine months ended September 30, 2019, the Company charged interest on delinquent accounts receivable pursuant to the terms of its agreements with PREPA totaling \$8.2 million and \$23.8 million, respectively, and \$5.9 million and \$34.9 million, respectively. These amounts are included in "other, 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, 2020 and December 31, 2019 were interest charges of \$65.8 million and \$42.0 million, respectively.

Pursuant to its contract with Gulfport, Stingray Pressure Pumping LLC ("Stingray Pressure Pumping"), one of the Company's subsidiaries, has agreed to provide Gulfport with use of up to two pressure pumping fleets for the period covered by the contract. In December 2019, Gulfport filed a legal action in Delaware state court seeking the termination of this contract and monetary damages. See Note 18 below. During the nine months ended September 30, 2020, the Company charged interest on delinquent accounts receivable pursuant to the terms of its agreement with Gulfport totaling \$2.2 million. These amounts are included in "other, net - related parties" on the unaudited condensed consolidated statement of comprehensive income (loss). As of September 30, 2020, \$36.1 million related to this contract was included in "receivables from related parties" on the unaudited condensed consolidated balance sheets, which was inclusive of interest charges of \$2.2 million.

Pursuant to its contract with Gulfport, Muskie Proppant LLC (“Muskie”), one of the Company's subsidiaries, has 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. See Note 18 below. During the nine months ended September 30, 2020, the Company charged a nominal amount of interest on delinquent accounts receivable pursuant to the terms of its agreement with Gulfport, which is included in “other, net - related parties” on the unaudited condensed consolidated statement of comprehensive income (loss). As of September 30, 2020, \$2.4 million related to this contract was included in “receivables from related parties” on the unaudited condensed consolidated balance sheets, which was inclusive of interest charges.

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 uncollectability.

Following is a roll forward of the allowance for doubtful accounts for the year ended December 31, 2019 and the nine months ended September 30, 2020 (in thousands):

Balance, January 1, 2019	\$	5,198
Additions charged to bad debt expense		1,771
Recoveries of receivables previously charged to bad debt expense		(337)
Deductions for uncollectible receivables written off		(1,478)
Balance, December 31, 2019		5,154
Additions charged to bad debt expense		2,935
Additions charged to other expense		2,127
Recoveries of receivables previously charged to bad debt expense		(629)
Deductions for uncollectible receivables written off		(2,344)
Balance, September 30, 2020	\$	<u>7,243</u>

For the nine months ended September 30, 2020 and year ended December 31, 2019, the Company recorded additions to allowance for doubtful accounts totaling \$2.9 million and \$1.8 million, respectively, related to trade accounts receivable. These additions were charged to bad debt expense based on the factors described above. Additionally, during the nine months ended September 30, 2020, the Company recorded additions to allowance for doubtful accounts of \$2.1 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.

As of September 30, 2020, PREPA owed Cobra approximately \$227.0 million for services performed, excluding \$65.8 million of interest charged on these delinquent balances as of September 30, 2020. The Company believes these 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 the Federal Emergency Management Agency 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 Cobra's motion until an omnibus hearing to be held in December 2020. 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, 2020 and December 31, 2019 and percentages of total revenues derived for the three and nine months ended September 30, 2020 and 2019:

	REVENUES						ACCOUNTS RECEIVABLE		
	Three Months Ended September 30,			Nine Months Ended September 30,			At September 30,		At December 31,
	2020	2019		2020	2019		2020	2019	
Customer A ^(a)	— %	— %	— %	— %	17 %	— %	71 %	73 %	
Customer B ^(b)	15 %	15 %	15 %	18 %	22 %	18 %	9 %	2 %	
Customer C ^(c)	8 %	4 %	4 %	10 %	4 %	10 %	2 %	3 %	

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

Fair Value of Financial Instruments

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

New Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which amends current guidance on reporting credit losses on financial instruments. This ASU requires entities to reflect its current estimate of all expected credit losses. The guidance affects most financial assets, including trade accounts receivable. This ASU is effective for fiscal years beginning after December 31, 2019, with early adoption permitted. The Company adopted this standard effective January 1, 2020. It did not have a material impact on the Company's condensed consolidated financial statements.

3. Revenue

The Company's primary revenue streams include infrastructure services, pressure pumping services, natural sand proppant services, drilling services and other services, which includes coil tubing, pressure control, flowback, cementing, acidizing, equipment rentals, full service transportation, crude oil hauling, remote accommodations, oilfield equipment manufacturing and infrastructure engineering and design services. See Note 19 for the Company's revenue disaggregated by type.

Infrastructure Services

Infrastructure services are typically provided pursuant to master service agreements, repair and maintenance contracts or fixed price and non-fixed price installation contracts. Pricing under these contracts may be unit priced, cost-plus/hourly (or time and materials basis) or fixed price (or lump sum basis). Generally, the Company accounts for infrastructure services as a single performance obligation satisfied over time. In certain circumstances, the Company supplies materials that are utilized during the jobs as part of the agreement with the customer. The Company accounts for these infrastructure agreements as multiple performance obligations satisfied over time. Revenue is recognized over time as work progresses based on the days completed or as the contract is completed. Under certain customer contracts in our infrastructure services segment, the Company warranties equipment and labor performed for a specified period following substantial completion of the work.

Pressure Pumping Services

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

Pursuant to a contract with Gulfport, Stingray Pressure Pumping has 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 are satisfied as services are rendered based on the passage of time rather than the completion of each segment of work. Stingray Pressure Pumping has 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 is fixed and the right to receive it is unconditional. Gulfport has filed a legal action in Delaware state court seeking the termination of this contract and monetary damages. During the nine months ended September 30, 2020, Stingray Pressure Pumping generated \$34.7 million in revenues under this contract with Gulfport. Gulfport made payments of \$6.8 million to the Company during the nine months ended September 30, 2020 related to revenue recognized for services in 2019 prior to the alleged termination date, and owed the Company \$36.1 million as of September 30, 2020 under the contract, which includes \$2.2 million in interest on delinquent accounts receivable. The revenue recognized and related accounts receivable balance owed to the Company are reflected in “services revenue—related parties” and “receivables from related parties” on the accompanying unaudited condensed consolidated statement of comprehensive income (loss) and unaudited condensed consolidated balance sheets. See Note 18 below.

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

Natural Sand Proppant Services

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

Certain of the Company's sand supply agreements, including its agreement with Gulfport, contain a minimum volume commitment related to sand purchases whereby the Company charges a shortfall payment if the customer fails to meet the required minimum volume commitment. These agreements may also contain make-up provisions whereby shortfall payments can be applied in future periods against purchased volumes exceeding the minimum volume commitment. If a make-up right exists, the Company has future performance obligations to deliver excess volumes of product in subsequent months. In accordance with ASC 606, if the customer fails to meet the minimum volume commitment, the Company will assess whether it expects the customer to fulfill its unmet commitment during the contractually specified make-up period based on discussions with the customer and management's knowledge of the business. If the Company expects the customer will make-up deficient volumes in future periods, revenue related to shortfall payments will be deferred and recognized on the earlier of the date on which the customer utilizes make-up volumes or the likelihood that the customer will exercise its right to make-up deficient volumes becomes remote. As of September 30, 2020, the Company had deferred revenue totaling \$10.8 million related to shortfall payments. This amount is included in “accrued expenses and other current liabilities” on the unaudited condensed consolidated balance sheet. If the Company does not expect the customer will make-up deficient volumes in future periods, the breakage model will be applied and revenue related to shortfall payments will be recognized when the model indicates the customer's inability to take delivery of excess volumes. The Company recognized revenue totaling \$4.9 million and \$14.7 million during the three and nine months ended September 30, 2020, respectively, and \$0.3 million and \$1.3 million during the three and nine months ended September 30, 2019, respectively, related to shortfall payments.

Pursuant to its contract with Gulfport, Muskie has 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. During the nine months ended September 30, 2020, Muskie generated \$5.6 million in revenues under this contract with Gulfport. Gulfport made payments of \$4.4 million to the Company during the nine months ended September 30, 2020, of

which \$1.3 million relates to revenue recognized in 2019, and owed the Company \$2.4 million as of September 30, 2020 under the contract, which includes a nominal amount of interest on delinquent accounts receivable. The revenue recognized and related accounts receivable balance owed to the Company are reflected in “product revenue—related parties” and “receivables from related parties” on the accompanying unaudited condensed consolidated statement of comprehensive income (loss) and unaudited condensed consolidated balance sheets. See Note 18 below.

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.

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 has 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 coil tubing, pressure control, flowback, cementing, equipment rentals, full service transportation, crude oil hauling, remote accommodations, oilfield equipment manufacturing and infrastructure engineering and design services, which are reported under other services. As a result of market conditions, the Company has temporarily shut down its cementing and acidizing operations as well as its flowback operations beginning in July 2019 and its coil tubing and full service transportation operations beginning in July 2020. 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, 2018	\$	4,304
Deduction for recognition of revenue		(4,827)
Increase for deferral of shortfall payments		8,442
Increase for deferral of customer prepayments		675
Deduction of shortfall payments due to contract renegotiations		(1,350)
Balance, December 31, 2019		7,244
Deduction for recognition of revenue		(14,928)
Increase for deferral of shortfall payments		18,211
Increase for deferral of customer prepayments		234
Balance, September 30, 2020	\$	<u>10,761</u>

The Company did not have any contract assets as of September 30, 2020, December 31, 2019 or December 31, 2018.

Performance Obligations

Revenue recognized in the current period from performance obligations satisfied in previous periods was a nominal amount for the nine months ended September 30, 2020 and 2019. As of September 30, 2020, the Company had unsatisfied performance obligations totaling \$54.2 million, which will be recognized over the next 1.2 years.

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 market (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, 2020	December 31, 2019
Supplies	\$ 6,832	\$ 9,598
Raw materials	543	746
Work in process	3,858	4,608
Finished goods	2,064	2,531
Total inventories	<u>\$ 13,297</u>	<u>\$ 17,483</u>

Due to market conditions, the Company temporarily shut down its cementing and acidizing operations as well as its flowback operations beginning in the third quarter of 2019. As a result of this, the Company wrote-off obsolete inventory totaling \$1.3 million during the three months ended September 30, 2019.

5. Property, Plant and Equipment

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

	Useful Life	September 30, 2020	December 31, 2019
Pressure pumping equipment	3-5 years	\$ 217,980	\$ 216,627
Drilling rigs and related equipment	3-15 years	114,132	117,783
Machinery and equipment	7-20 years	172,567	190,221
Buildings ^(a)	15-39 years	47,307	47,859
Vehicles, trucks and trailers	5-10 years	113,057	135,724
Coil tubing equipment	4-10 years	8,541	29,438
Land	N/A	13,417	13,687
Land improvements	15 years or life of lease	10,135	10,135
Rail improvements	10-20 years	13,802	13,802
Other property and equipment ^(b)	3-12 years	18,674	18,880
		<u>729,612</u>	<u>794,156</u>
Deposits on equipment and equipment in process of assembly ^(c)		3,252	6,627
		<u>732,864</u>	<u>800,783</u>
Less: accumulated depreciation ^(d)		462,240	448,011
Total property, plant and equipment, net		<u>\$ 270,624</u>	<u>\$ 352,772</u>

- Included in Buildings at September 30, 2020 and December 31, 2019 are costs of \$7.6 million and \$6.7 million, respectively, related to assets under operating leases.
- Included in Other property and equipment at each of September 30, 2020 and December 31, 2019 are costs of \$6.0 million and \$6.5 million, respectively, related to assets under operating leases.
- 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 \$4.8 million and \$3.5 million at September 30, 2020 and December 31, 2019, respectively, related to assets under operating leases.

Impairment

Oil prices declined significantly in March 2020 as a result of geopolitical events that increased the supply of oil in the market as well as effects of the COVID-19 pandemic. As a result, the Company determined that it was more likely than not that the fair value of certain of its oilfield services assets were less than their carrying value. Therefore, the Company performed an interim impairment test. As a result of the test, the Company recorded the following impairments to its fixed assets during the first quarter of 2020 (in thousands):

Water transfer equipment	\$	4,203
Crude oil hauling equipment		3,275
Coil tubing equipment		2,160
Flowback equipment		1,514
Rental equipment		1,308
Other equipment		437
Total impairment of other long-lived assets	\$	<u>12,897</u>

The Company measured the fair values of these assets using significant unobservable inputs (Level 3) based on an income approach. The Company did not record any impairment of other long-lived assets during the three months ended September 30, 2020.

Due to market conditions, the Company temporarily shutdown its flowback operations beginning in the third quarter of 2019. As a result, the Company recognized \$3.3 million of impairment charges, which is included in impairment of long-lived assets on the unaudited condensed consolidated statements of comprehensive income (loss), for its flowback property and equipment during the three months ended September 30, 2019. Estimated fair value for these assets was determined using significant unobservable inputs (Level 3) based on an income approach.

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 nine months ended September 30, 2020 and 2019, proceeds from the sale of equipment damaged or lost down-hole were \$0.7 million and a nominal amount, respectively, and gains on sales of equipment damaged or lost down-hole were \$0.7 million and a nominal amount, respectively.

Proceeds from assets sold or disposed of as well as the carrying value of the related equipment are reflected in "other, net" on the unaudited condensed consolidated statement of comprehensive income (loss). For the nine months ended September 30, 2020 and 2019, proceeds from the sale of equipment were \$4.9 million and \$2.5 million, respectively, and gains (losses) from the sale or disposal of equipment were \$0.2 million and (\$0.2) 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,	
	2020	2019	2020	2019
Depreciation expense	\$ 22,305	\$ 28,123	\$ 71,645	\$ 84,288
Depletion expense	545	1,339	638	3,285
Amortization expense	253	277	761	844
Accretion expense	29	52	86	95
Depreciation, depletion, amortization and accretion	<u>\$ 23,132</u>	<u>\$ 29,791</u>	<u>\$ 73,130</u>	<u>\$ 88,512</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, 2020 and year ended December 31, 2019 are presented below (in thousands):

	Infrastructure	Pressure Pumping	Sand	Other	Total
Balance as of January 1, 2019					
Goodwill	\$ 3,828	\$ 86,043	\$ 2,684	\$ 11,893	\$ 104,448
Accumulated impairment losses	—	—	—	(3,203)	(3,203)
	3,828	86,043	2,684	8,690	101,245
Acquisitions	—	—	—	—	—
Impairment losses	(434)	(23,423)	(2,684)	(7,123)	(33,664)
Balance as of December 31, 2019					
Goodwill	3,828	86,043	2,684	11,893	104,448
Accumulated impairment losses	(434)	(23,423)	(2,684)	(10,326)	(36,867)
	3,394	62,620	—	1,567	67,581
Acquisitions	—	—	—	—	—
Impairment losses	—	(53,406)	—	(1,567)	(54,973)
Balance as of September 30, 2020					
Goodwill	3,828	86,043	2,684	11,893	104,448
Accumulated impairment losses	(434)	(76,829)	(2,684)	(11,893)	(91,840)
	\$ 3,394	\$ 9,214	\$ —	\$ —	\$ 12,608

Oil prices declined significantly in March 2020 as a result of geopolitical events that increased the supply of oil in the market as well as effects of the COVID-19 pandemic. As a result, the Company determined that it was more likely than not that the fair value of certain of its reporting units were less than their carrying value. Therefore, the Company performed an interim goodwill impairment test. The Company impaired goodwill associated with Stingray Pressure Pumping, Silverback Energy and WTL Oil LLC, resulting in a \$55.0 million impairment charge during the first quarter of 2020. To determine fair value, the Company used a combination of the income and market approaches. The income approach estimates the fair value based on anticipated cash flows that are discounted using a weighted average cost of capital. The market approach estimates the fair value using comparative multiples, which involves significant judgment in the selection of the appropriate peer group companies and valuation multiples.

Due to market conditions, the Company temporarily shut down its cementing and acidizing operations as well as its flowback operations beginning in the third quarter of 2019. As a result, the Company recognized impairment of goodwill totaling \$3.2 million during the three months ended September 30, 2019

Intangible Assets

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

	September 30, 2020	December 31, 2019
Customer relationships	\$ 1,050	\$ 1,050
Trade names	9,063	9,063
Less: accumulated amortization - customer relationships	(598)	(467)
Less: accumulated amortization - trade names	(4,487)	(3,858)
Intangible assets, net	\$ 5,028	\$ 5,788

Amortization expense for intangible assets was \$0.8 million for each of the nine months ended September 30, 2020 and 2019, respectively. The original life of customer relationships is 6 years as of September 30, 2020 with a remaining average useful life of 2.6 years. The original life of trade names ranges from 10 to 20 years as of September 30, 2020 with a remaining average useful life of 7.8 years.

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

Remainder of 2020	\$	253
2021		1,015
2022		1,015
2023		898
2024		771
Thereafter		1,076
	\$	<u>5,028</u>

Due to market conditions, the Company temporarily shut down its cementing and acidizing operations as well as its flowback operations beginning in the third quarter of 2019. As a result, the Company recognized impairment of non-contractual customer relationships totaling \$0.1 million, which is included in impairment of other long-lived assets on the unaudited condensed consolidated statements of comprehensive income (loss).

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 one commercial helicopter and leases four 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 \$2.5 million and \$2.6 million at September 30, 2020 and December 31, 2019, 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 (\$0.1) million and \$0.5 million for its share of Brim Acquisitions' (loss) income for the nine months ended September 30, 2020 and 2019, respectively, which is included in “other, net” on the unaudited condensed consolidated statements of comprehensive income (loss). The Company made additional investments totaling \$0.7 million during the nine months ended September 30, 2019. The Company did not make any additional investments during the nine months ended September 30, 2020.

8. Accrued Expenses and Other Current Liabilities

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

	September 30, 2020	December 31, 2019
State and local taxes payable	\$ 16,241	\$ 15,288
Deferred revenue	10,761	7,244
Accrued compensation, benefits and related taxes	2,589	5,938
Financed insurance premiums	—	6,463
Insurance reserves	2,190	2,906
Other	3,701	2,915
Total	\$ 35,482	\$ 40,754

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 December 31, 2019, the applicable interest rate associated with financed insurance premiums ranged from 3.45% to 3.75%.

9. Debt

On October 19, 2018, Mammoth Inc. and certain of its direct and indirect subsidiaries, as borrowers, entered into an amended and restated revolving credit and security agreement with the lenders party thereto and PNC Bank, National Association, as a lender and as administrative agent for the lenders, 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. On November 5, 2019, the Company entered into a first amendment to the revolving credit facility to amend the interest coverage ratio definition to give accrual treatment to certain cash taxes included in the ratio calculation. As a result, certain cash tax payments that were made in 2019 were now treated as if they were made in 2018, the year in which the income related to such tax payments was actually received.

As of December 31, 2019, the revolving credit facility contained various customary affirmative and restrictive covenants. Among the covenants are two financial covenants, including a minimum interest coverage ratio (3.0 to 1.0), and a maximum leverage ratio (4.0 to 1.0). On February 26, 2020, the Company entered into a second amendment to the revolving credit facility to, among other things, (i) amend its financial covenants, as outlined below, (ii) decrease the maximum revolving advance amount from \$185 million to \$130 million, (iii) decrease the amount that the maximum revolving advance can be increased to (the accordion) from \$350 million to \$180 million, (iv) increase the applicable margin ranges from 2.00% to 2.50% per annum in the case of the alternate base rate and from 3.00% to 3.50% per annum in the case of LIBOR, (v) increase the aggregate amount of permitted asset dispositions, and (vi) permit certain sale-leaseback transactions.

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

- the minimum interest coverage ratio of 3.0 to 1.0 was eliminated;
- the maximum leverage coverage ratio of 4.0 to 1.0 was eliminated for the first two fiscal quarters of 2020 and, beginning with the fiscal quarter ended September 30, 2020, changed to 2.5 to 1.0;
- beginning with the fiscal quarter ended September 30, 2020, a minimum fixed charge coverage ratio of at least 1.1 to 1.0 was added; and
- from the effective date of February 26, 2020 through September 30, 2020, a minimum excess availability covenant of 10% of the maximum revolving advance amount was added.

As of September 30, 2020 and December 31, 2019, the Company was in compliance with its financial covenants under the revolving credit facility.

At September 30, 2020, there were outstanding borrowings under the revolving credit facility of \$89.8 million and \$18.0 million of available borrowing capacity. This available borrowing capacity reflects (i) a minimum excess availability covenant of 10% of the maximum revolving advance amount and (ii) \$9.0 million of outstanding letters of credit. At

December 31, 2019, there were outstanding borrowings under the revolving credit facility of \$80.0 million and \$96.1 million of borrowing capacity under the facility, after giving effect to \$8.7 million of outstanding letters of credit.

As of October 28, 2020, the Company had \$88.4 million in borrowings outstanding under its revolving credit facility, leaving an aggregate of \$28.1 million of available borrowing capacity under this facility, after giving effect to \$13.3 million of outstanding letters of credit and the expiration of the minimum excess availability covenant on September 30, 2020. 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, results of operations and cash flows. 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.

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 Aviation LLC ("Leopard") to the respective Voting Trustees in exchange for Voting Trust Certificates. Dire Wolf and Predator Aviation retained the obligation to absorb all expected returns or losses of Cobra Aviation and Leopard. Prior to the transfer of the membership interest to the Voting Trustee, Cobra Aviation was a wholly owned subsidiary of Dire Wolf and Leopard was a wholly owned subsidiary of Predator Aviation. Cobra Aviation owns 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, 2020.

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,	
	2020	2019	2020	2019
Cash expenses:				
Compensation and benefits	\$ 3,449	\$ 4,777	\$ 11,138	\$ 16,161
Professional services	5,651	6,104	15,335	12,827
Other ^(a)	2,163	1,665	6,572	8,290
Total cash SG&A expense	11,263	12,546	33,045	37,278
Non-cash expenses:				
Bad debt provision	626	964	2,306	1,230
Stock based compensation	291	913	1,326	2,705
Total non-cash SG&A expense	917	1,877	3,632	3,935
Total SG&A expense	\$ 12,180	\$ 14,423	\$ 36,677	\$ 41,213

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

12. Income Taxes

The Company recorded income tax benefit of \$9.0 million for the nine months ended September 30, 2020 compared to income tax expense of \$2.6 million for the nine months ended September 30, 2019. The Company's effective tax rate was 9% and (17)% for the nine months ended September 30, 2020 and 2019, respectively.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted and signed into U.S. law in response to the COVID-19 pandemic, and among other things, permits the carryback of certain net operating losses. As a result of the enacted legislation, the Company recognized a \$2.4 million net tax benefit during the nine months ended September 30, 2020, which consists of a \$7.0 million current tax benefit and a \$4.6 million deferred tax expense. This impact, along with the rate impact from non-deductible goodwill impairment, was the primary driver for the difference between the statutory rate of 21% and the effective tax rate for the nine months ended September 30, 2020.

The effective tax rate for the nine months ended September 30, 2019 differed from the statutory rate of 21% primarily due to the mix of earnings between the United States and Puerto Rico. For the nine months ended September 30, 2019, the Company recognized a loss in the United States, which was partially offset by earnings from its operations in Puerto Rico, which has a higher statutory rate compared to the United States. During the nine months ended September 30, 2019, the Company recorded a benefit related to return to provision adjustments, which was partially offset by 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, equipment and vehicles and its finance leases are primarily for machinery and equipment. Generally, the Company does not include renewal or termination options in its assessment of the leases unless extension or termination for certain assets is deemed to be reasonably certain. The accounting for some of the Company's leases may require significant judgment, which includes determining whether a contract contains a lease, determining the incremental borrowing rates to utilize in the net present value calculation of lease payments for lease agreements which do not provide an implicit rate and assessing the likelihood of renewal or termination options. Lease agreements that contain a lease and non-lease component are generally accounted for as a single lease component.

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 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, 2020 and 2019 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Operating lease expense	\$ 3,338	\$ 5,278	\$ 12,503	\$ 16,697
Short-term lease expense	36	135	323	498
Finance lease expense:				
Amortization of right-of-use assets	318	312	952	797
Interest on lease liabilities	48	55	153	134
Total lease expense	\$ 3,740	\$ 5,780	\$ 13,931	\$ 18,126

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Supplemental balance sheet information related to leases as of September 30, 2020 and December 31, 2019 is as follows (in thousands):

	September 30, 2020	December 31, 2019
Operating leases:		
Operating lease right-of-use assets	\$ 25,927	\$ 43,446
Current operating lease liability	10,657	16,432
Long-term operating lease liability	15,291	27,102
Finance leases:		
Property, plant and equipment, net	\$ 4,204	\$ 5,111
Accrued expenses and other current liabilities	1,267	1,365
Other liabilities	3,008	3,856

Other supplemental information related to leases for the three and nine months ended September 30, 2020 and 2019 and as of September 30, 2020 and December 31, 2019 is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	\$ 3,277	\$ 5,222	\$ 12,207	\$ 16,468
Operating cash flows from finance leases	48	55	153	134
Financing cash flows from finance leases	344	391	940	1,114
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases	\$ (4,157)	\$ 1,314	\$ (6,167)	\$ 3,249
Finance leases	237	2,130	210	3,721

	September 30, 2020	December 31, 2019
Weighted-average remaining lease term:		
Operating leases	3.3 years	3.4 years
Finance leases	3.5 years	4.1 years
Weighted-average discount rate:		
Operating leases	3.8 %	4.4 %
Finance leases	4.2 %	4.3 %

Maturities of lease liabilities as of September 30, 2020 are as follows (in thousands):

	Operating Leases	Finance Leases
Remainder of 2020	\$ 3,145	\$ 373
2021	10,792	1,349
2022	7,148	1,214
2023	3,817	1,214
2024	1,876	441
Thereafter	881	—
Total lease payments	27,659	4,591
Less: Present value discount	1,711	316
Present value of lease payments	<u>\$ 25,948</u>	<u>\$ 4,275</u>

Subsequent to September 30, 2020, the Company entered into four, six-year financing lease agreements for equipment for its infrastructure services segment with future payments totaling \$2.4 million.

Lessor Accounting

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

The Company's lease agreements are generally short-term in nature and lease revenue is recognized over time based on a monthly, daily or hourly rate basis. The Company does not provide an option for the lessee to purchase the rented assets at the end of the lease and the lessees do not provide residual value guarantees on the rented assets. The Company recognized lease revenue of \$0.4 million and \$0.7 million during the three months ended September 30, 2020 and 2019, respectively, and \$0.9 million and \$1.6 million during the nine months ended September 30, 2020 and 2019, respectively, which is included in "services revenue" and "services revenue - related parties" on the unaudited condensed consolidated statement of comprehensive income (loss).

14. Earnings (Loss) Per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Basic earnings (loss) per share:				
Allocation of earnings (loss):				
Net income (loss)	\$ 3,430	\$ (35,709)	\$ (95,746)	\$ (18,265)
Weighted average common shares outstanding	45,764	45,020	45,603	44,984
Basic earnings (loss) per share	\$ 0.07	\$ (0.79)	\$ (2.10)	\$ (0.41)
Diluted earnings (loss) per share:				
Allocation of earnings (loss):				
Net income (loss)	\$ 3,430	\$ (35,709)	\$ (95,746)	\$ (18,265)
Weighted average common shares, including dilutive effect ^(a)	46,571	45,020	45,603	44,984
Diluted earnings (loss) per share	\$ 0.07	\$ (0.79)	\$ (2.10)	\$ (0.41)

a. No incremental shares of potentially dilutive restricted stock awards were included for the nine months ended September 30, 2020 and three and nine months ended September 30, 2019 as their effect was antidilutive under the treasury stock method.

15. Equity Based Compensation

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

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

On the IPO closing date, the unreturned capital balance of Mammoth's majority equity holder was not fully recovered from its sale of common stock in the IPO. As a result, Payout did not occur and no compensation cost was recorded.

Payout for the remaining awards is expected to occur as the contribution member's unreturned capital balance is recovered from additional sales by MEH Sub of its shares of the Company's common stock or from dividend distributions, which is not considered probable until the event occurs. For the Specified Member awards, the unrecognized amount, which represents the fair value of the award as of the modification dates or grant date, was \$5.6 million.

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

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.

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

	Number of Unvested Restricted Shares	Weighted Average Grant-Date Fair Value
Unvested shares as of January 1, 2019	434,119	\$ 22.78
Granted	101,181	6.83
Vested	(231,896)	22.45
Forfeited	(82,163)	18.55
Unvested shares as of December 31, 2019	221,241	22.43
Granted	2,401,446	0.98
Vested	(656,988)	5.26
Forfeited	(47,167)	3.28
Unvested shares as of September 30, 2020	<u>1,918,532</u>	\$ 1.24

As of September 30, 2020, there was \$1.8 million of total unrecognized compensation cost related to the unvested restricted stock. The cost is expected to be recognized over a weighted average period of approximately 1.8 years.

Included in cost of revenue and selling, general and administrative expenses is stock based compensation expense of \$1.6 million and \$3.4 million, respectively, for the nine months ended September 30, 2020 and 2019.

17. Related Party Transactions

Transactions between the subsidiaries of the Company, including Stingray Pressure Pumping, Muskie, Stingray Energy Services LLC ("SR Energy"), Aquahawk Energy LLC ("Aquahawk"), 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"), Everest Operations Management LLC ("Everest"); Elk City Yard LLC ("Elk City Yard"), Double Barrel Downhole Technologies LLC ("DBDHT"), Caliber Investment Group LLC ("Caliber"), Predator Drilling LLC ("Predator") and Brim Equipment.

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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,	
	2020	2019	2020	2019	2020	2019
	REVENUES				ACCOUNTS RECEIVABLE	
Pressure Pumping and Gulfport (a)	\$ 8,384	\$ 13,578	\$ 34,705	\$ 84,407	\$ 33,856	\$ 5,950
Muskie and Gulfport (b)	1,875	2,924	5,625	26,439	2,391	1,141
SR Energy and Gulfport (c)	—	672	113	8,712	36	156
Aquahawk and Gulfport (d)	—	6	—	828	—	—
Panther Drilling and El Toro (e)	—	80	38	573	—	—
Cobra Aviation/ARS/Leopard and Brim Equipment (f)	157	679	343	1,390	129	235
Other	24	(15)	29	—	32	41
	\$ 10,440	\$ 17,924	\$ 40,853	\$ 122,349	\$ 36,444	\$ 7,523
	OTHER				ACCOUNTS RECEIVABLE	
Pressure Pumping and Gulfport (a)	\$ 1,073	—	\$ 2,206	—	\$ 2,206	—
Muskie and Gulfport (b)	26	—	26	—	26	—
	\$ 1,099	—	\$ 2,232	—	\$ 2,232	—
					\$ 38,676	\$ 7,523

- a. Pressure Pumping provides pressure pumping, stimulation and related completion services to Gulfport. Other amount represents interest charged on delinquent accounts receivable related to these services.
- b. Muskie has agreed to sell and deliver, and Gulfport has agreed to purchase, specified annual and monthly amounts of natural sand proppant, subject to certain exceptions specified in the agreement, and pay certain costs and expenses. Other amount represents interest charged on delinquent account receivable related to this agreement.
- c. SR Energy provides rental services to Gulfport.
- d. Aquahawk provides water transfer services for Gulfport pursuant to a master service agreement.
- e. Panther provides directional drilling services for El Toro, an entity controlled by Wexford, pursuant to a master service agreement.
- f. Cobra Aviation, ARS and Leopard lease helicopters to Brim Equipment pursuant to aircraft lease and management agreements.

	Three Months Ended September 30,		Nine Months Ended September 30,		At September 30, At December 31,	
	2020	2019	2020	2019	2020	2019
	COST OF REVENUE				ACCOUNTS PAYABLE	
Cobra Aviation/ ARS/Leopard and Brim Equipment (a)	\$ 60	\$ 739	\$ 81	\$ 4,103	\$ 9	\$ 433
Anaconda and Caliber (b)	62	—	186	—	—	—
Other	9	35	62	35	—	—
	\$ 131	\$ 774	\$ 329	\$ 4,138	\$ 9	\$ 433
	SELLING, GENERAL AND ADMINISTRATIVE COSTS					
The Company and Wexford (c)	\$ 2	\$ 109	\$ 2	\$ 551	\$ 2	\$ 1
The Company and Caliber (b)	199	201	582	589	—	7
Cobra Aviation/ ARS/Leopard and Brim Equipment (a)	—	43	—	209	—	—
Other	—	41	30	138	7	9
	\$ 201	\$ 394	\$ 614	\$ 1,487	\$ 9	\$ 17
	CAPITAL EXPENDITURES					
Leopard and Brim Equipment (a)	\$ —	\$ 48	\$ —	\$ 266	\$ —	\$ 76
	\$ —	\$ 48	\$ —	\$ 266	\$ —	\$ 76
					\$ 18	\$ 526

- a. Cobra Aviation, ARS and Leopard lease helicopters to Brim Equipment pursuant to aircraft lease and management agreements.
 b. Caliber leases office space to Anaconda and Mammoth.
 c. Wexford provides certain administrative and analytical services to the Company and, from time to time, the Company pays for goods and services on behalf of Wexford.

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. The Company made additional investments totaling \$0.7 million during the nine months ended September 30, 2019. The Company did not make any additional investments during the nine months ended September 30, 2020. Wexford Investments is an entity controlled by Wexford, which owns approximately 48% of the Company's outstanding common stock.

18. Commitments and Contingencies

Minimum Purchase Commitments

The Company has entered into agreements with suppliers that contain minimum purchase obligations. Failure to purchase the minimum amounts may require the Company to pay shortfall fees. However, the minimum quantities set forth in the agreements are not in excess of currently expected future requirements.

Capital Spend Commitments

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

Aggregate future minimum payments under these obligations in effect at September 30, 2020 are as follows (in thousands):

Year ended December 31:	Capital Spend Commitments	Minimum Purchase Commitments ^(a)
Remainder of 2020	\$ 3,175	\$ 4,307
2021	—	1,129
2022	—	98
2023	—	8
2024	—	—
Thereafter	—	—
	<u>\$ 3,175</u>	<u>\$ 5,542</u>

- a. Included in these amounts are sand purchase commitments of \$4.0 million. Pricing for certain sand purchase agreements is variable and, therefore, the total sand purchase commitments could be as much as \$4.7 million.

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):

	September 30, 2020	December 31, 2019
Environmental remediation	\$ 4,477	\$ 4,182
Insurance programs	4,105	4,105
Rail car commitments	455	455
Total letters of credit	<u>\$ 9,037</u>	<u>\$ 8,742</u>

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. As of September 30, 2020 and December 31, 2019, the workers' compensation and automobile liability policies require a deductible per occurrence of up to \$0.3 million and \$0.1 million, respectively. The Company establishes liabilities for the unpaid deductible portion of claims incurred based on estimates. As of September 30, 2020 and December 31, 2019, the workers' compensation and auto liability policies contained an aggregate stop loss of \$5.4 million. As of September 30, 2020 and December 31, 2019, accrued claims were \$2.2 million and \$2.9 million, respectively.

The Company also has insurance coverage for directors and officers liability. As of September 30, 2020 and December 31, 2019, 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, 2020 and December 31, 2019, 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, 2019. As of September 30, 2020 and December 31, 2019, accrued claims were \$1.6 million and \$3.0 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, 2020 and December 31, 2019 and no expense was recognized during the three and nine months ended September 30, 2020 or 2019 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, 2020, outstanding bid bonds totaled \$0.1 million. The Company did not have any outstanding bid bonds as of December 31, 2019. As of September 30, 2020 and December 31, 2019, outstanding performance and payment bonds totaled \$8.7 million and \$40.4 million, respectively. The estimated cost to complete projects secured by the performance and payment bonds totaled \$3.7 million as of September 30, 2020.

Litigation

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

On June 19, 2018, Wendco of Puerto Rico Inc. filed a putative class action lawsuit in the Commonwealth of Puerto Rico styled Wendco of Puerto Rico Inc.; Multisystem Restaurant Inc.; Restaurant Operators Inc.; Apple Caribe, Inc.; on their own behalf and in representation of all businesses that conduct business in the Commonwealth of Puerto Rico vs. Mammoth Energy Services Inc.; Cobra Acquisitions, LLC; D. Grimm Puerto Rico, LLC, et al. The plaintiffs allege that the defendants caused power outages in Puerto Rico while performing restoration work on Puerto Rico's electrical network following Hurricanes Irma and Maria in 2017, thereby interrupting commercial activities and causing economic loss. 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.

Cobra has been served with ten lawsuits from municipalities in Puerto Rico alleging failure to pay construction excise and volume of business taxes. The Government of Puerto Rico's Central Recovery and Reconstruction Office ("COR3") has noted the unique nature of work executed by entities such as Cobra in Puerto Rico and that taxes, such as those in these matters, may be eligible for reimbursement by the government. Further, COR3 indicated that it is working to develop a solution that will result in payment of taxes owed to the municipalities without placing an undue burden on entities such as Cobra. The Company continues to work with COR3 to resolve these matters. However, 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.

On March 20, 2019, EJ LeJeune, a former employee of ESPADA Logistics and Security Group, LLC and ESPADA Caribbean LLC (together, "ESPADA") filed a putative collective and class action complaint in *LeJeune v. Mammoth Energy Services, Inc. d/b/a Cobra Energy & ESPADA Logistics and Security Group, LLC*, Case No. 5:19-cv-00286-JKP-ESC, in the U.S. District Court for the Western District of Texas. On August 5, 2019, the court granted the plaintiff's motion for leave to amend his complaint, dismissing Mammoth Energy Services, Inc. as a defendant, adding Cobra Acquisitions LLC ("Cobra") as a defendant, and adding ESPADA Caribbean LLC and two officers of ESPADA—James Jorrie and Jennifer Gay Jorrie—as defendants. The amended complaint alleges that the defendants jointly employed the plaintiff and all similarly situated workers and failed to pay them overtime as required by the Fair Labor Standards Act and Puerto Rico law. The complaint also alleges the following violations of Puerto Rico law: illegal deductions from workers' wages, failure to timely pay all wages owed, failure to pay a required severance when terminating workers without just cause, failure to pay for all hours worked, failure to provide required meal periods, and failure to pay a statutorily required bonus to eligible workers. Mr. LeJeune seeks to represent a class of workers allegedly employed by one or more defendants and paid a flat amount for each day worked regardless of how many hours were worked. The complaint seeks back wages, including overtime wages owed, liquidated damages equal to the overtime wages owed, attorneys' fees, costs, and pre- and post-judgment interest. On June 16, 2020, Cobra answered Mr. LeJeune's amended complaint, denying that it employed Mr. LeJeune and the putative class members and denying that they are entitled to relief from Cobra. All other defendants have also answered the amended complaint. The parties stipulated to conditional certification of a collective action, and on August 14, 2020, Court ordered that notice be sent to all individuals engaged by ESPADA to provide services to Cobra in Puerto Rico between January 21, 2017 and the present who were paid a day-rate. Notice was sent to putative class members on September 15, 2020, and the opt-in period will close on November 14, 2020. The parties are in discovery. 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.

On April 16, 2019, Christopher Williams, a former employee of Higher Power Electrical, LLC, filed a putative class and collective action complaint in *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 that the Company 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 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. In May 2020, six arbitrations were held in the related matters. The Company believes these claims are without merit and will vigorously defend 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.

In June 2019 and August 2019, the Company was served with three class action lawsuits filed in the Western District of Oklahoma. On September 13, 2019, the court consolidated the three lawsuits under the case caption *In re Mammoth Energy Services, Inc. Securities Litigation*. On November 12, 2019, the plaintiffs filed their first amended complaint against Mammoth Energy Services, Inc., Arty Straehla, and Mark Layton. Pursuant to their first amended complaint, the plaintiffs brought a consolidated putative federal securities class action on behalf of all investors who purchased or otherwise acquired Mammoth Energy Services, Inc. common stock between October 19, 2017, and June 5, 2019, inclusive. On January 10, 2020, the defendants filed their motion to dismiss the first amended complaint. On March 9, 2020, the plaintiffs filed a second amended complaint for violation of federal securities laws which contains allegations substantially similar to those contained in the plaintiff's first amended complaint. On March 30, 2020, the defendants filed their motion to dismiss the second amended complaint. The Company believes the plaintiffs' 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.

In September 2019, four derivative lawsuits were filed, two in the Western District of Oklahoma and two in the District of Delaware, purportedly on behalf of the Company against its officers and directors. In October 2019, the plaintiffs in the two Oklahoma actions voluntarily dismissed their respective cases, with one plaintiff refiled his action in the District of Delaware. On September 13, 2019, the Delaware court consolidated the three actions under the case caption *In re Mammoth Energy Services, Inc. Consolidated Shareholder Litigation*. On January 17, 2020, the plaintiffs filed their consolidated amended shareholder derivative complaint on behalf of Nominal Defendant, Mammoth Energy Services, Inc., and against Arty Straehla, Mark Layton, Arthur Amron, Paul V. Heerwagen IV, Marc McCarthy, Jim Palm, Matthew Ross, Arthur Smith, Gulfport Energy Corporation, and Wexford Capital LP. On February 18, 2020, the defendants filed a motion to stay this action. On August 3, 2020, the Court stayed the litigation pending the outcome of other matters. The Company believes the plaintiffs' 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.

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. The Company is continuing to cooperate with the related investigation. Given the uncertainty inherent in the criminal litigation, it is not possible at this time to determine the potential outcome or other potential impacts that the criminal litigation 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. Subsequent to the indictment, the Company received (i) a preservation request letter from the United States Securities and Exchange Commission ("SEC") related to documents relevant to an ongoing investigation it is conducting and (ii) 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. Both the aforementioned SEC and DOJ investigations are in connection with the issues raised in the criminal matter. Following the resignation of Jonathan Yellen from the Company's board of directors and the matters raised in the Company's Form 8-K filed on May 14, 2020, the Company received an expanded preservation request from the SEC. The Company is cooperating with both the SEC and DOJ and is not able to predict the outcome of these investigations or if either will have a material impact on the Company's business, financial condition, results of operations or cash flows.

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 Straehla, 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 Straehla 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 case is currently subject to a statutory stay pending a ruling on the appeal of anti-SLAPP motions to dismiss filed by certain defendants. 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 is a parallel arbitration proceeding that has been initiated in which certain Defendants are 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 September 16, 2019, Cobra filed a lawsuit against Robert Malcom ("Malcom") and later added claims against BHI Energy I Power Services LLC ("BHI") in a case styled *Cobra Acquisitions v. Robert L. Malcom and BHI Energy I Power Services LLC* in the 242nd Judicial District, District Court of Hale County, Texas. Cobra alleges Malcom breached his non-compete and non-solicit obligations contained in the purchase and sale agreement in which Cobra purchased Higher Power from Malcom. On September 16, 2019, the court entered a Temporary Restraining Order enjoining Malcom from competing against Higher Power or soliciting its customers and employees. Subsequently, on October 25, 2019, the court entered a Temporary Injunction enjoining Malcom from competing against Higher Power in three states or soliciting its customers and employees until the time of trial. Cobra is seeking to permanently enjoin Malcom from competing against Higher Power or soliciting its customers and employees, and further seeks damages it incurred as a result of Malcom's breach of his non-compete agreement. Cobra's claims against BHI, Malcom's employer after he left Higher Power, are for tortious interference and misappropriation of trade secrets. On November 3, 2019, Malcom filed his original counter-

petition and third-party petition against Cobra, Higher Power, Keith Ellison and Arty Straehla alleging claims for breach of contract, conversion, unjust enrichment, tortious interference, retaliation, violations of the federal Racketeer Influenced and Corrupt Organizations Act, and conspiracy. Cobra and Higher Power moved to dismiss these claims and, on January 24, 2020, after the hearing on the motion to dismiss, Malcom dismissed his claims without prejudice. On December 23, 2019, Malcom filed an appeal of the Temporary Injunction Order enjoining him from competing against Higher Power. On April 20, 2020, the Court of Appeals Seventh District of Texas denied Malcom's appeal. At this time, the Company is not able to predict the outcome of this lawsuit. However, the Company does not believe it will have a material impact on the Company's business, financial position, results of operations or cash flows.

As of September 30, 2020, PREPA owed the Company approximately \$227.0 million for services performed, excluding \$65.8 million of interest charged on these delinquent balances as of September 30, 2020. The Company believes these 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 the Federal Emergency Management Agency 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 until an omnibus hearing to be held in December 2020. 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 18, 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 alleges breach of contract and seeks damages for alleged overpayments and audit costs under the MSA and other fees and expenses associated with this lawsuit. Further, Gulfport has not made any of the \$33.9 million of payments owed to Stingray Pressure Pumping under this contract for any periods subsequent to its alleged December 28, 2019 termination date. During the nine months ended September 30, 2020, the Company recognized \$34.7 million in revenue under this contract. As of September 30, 2020, Gulfport owed Stingray Pressure Pumping \$36.1 million, which includes \$2.2 million of interest on past due amounts under the contract. The Company believes Gulfport's 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. 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. As of September 30, 2020, Gulfport owed Muskie \$2.4 million, which includes a nominal amount of interest on past due amounts under the contract. The Company believes these receivables due under both the pressure pumping and sand supply contracts are collectible. However, on October 16, 2020, Gulfport reported that it deferred making an interest payment due on certain of its senior notes and entered into a 30-day grace period while it continues discussions with its lenders and certain other stakeholders regarding a potential comprehensive financial restructuring. Gulfport also reported on October 16, 2020 that it entered into a forbearance agreement and amendment to its amended and restated credit agreement in connection with the deferral. On October 29, 2020, Gulfport reported that it entered into a second forbearance agreement and amendment to its amended and restated credit agreement that extends and expands the first forbearance agreement and amendment to its amended and restated credit agreement. There have also been reports that Gulfport may make a bankruptcy filing before the expiration of the grace period. As a result, Mammoth is unable to predict the ultimate outcome of its actions against Gulfport and, therefore, in the event of an adverse judgement or liquidation event, the receivable may not be collectible.

On January 21, 2020, Mastec Renewables Puerto Rico, LLC ("Mastec") filed a lawsuit against Mammoth Inc., and Cobra, in the U.S. District Court in 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, tortious interference and violations of Puerto Rico laws. Mastec seeks unspecified damages based on its claimed deprivation of work under the alleged \$500 million contract, including lost profits, mobilization expenses, costs and prejudgment interest because of the Company's and Cobra's alleged wrongful interference, payment of bribes, and other inducement to a FEMA official in order to secure two infrastructure contracts to aid in the rebuilding of the energy infrastructure in Puerto Rico after Hurricane Maria. On April 1, 2020, the defendants filed a motion to dismiss the complaint. On October 14,

2020, the court dismissed the federal Racketeer Influenced and Corrupt Organizations claims. 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.

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

Defined Contribution Plan

The Company sponsors a 401(k) defined contribution plan for the benefit of substantially all employees at their date of hire. The plan allows eligible employees to contribute up to 92% of their annual compensation, not to exceed annual limits established by the federal government. The Company makes discretionary matching contributions of up to 3% of an employee's compensation and may make additional discretionary contributions for eligible employees. For the nine months ended September 30, 2020 and 2019, the Company paid \$1.5 million and \$2.7 million, respectively, in contributions to the plan.

19. Reporting Segments

As of September 30, 2020, 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 income (loss) less impairment expense, as well as a qualitative basis, such as nature of the product and service offerings and types of customers.

Prior to the year ended December 31, 2019, the Company had three reportable segments, including infrastructure services, pressure pumping services and natural sand proppant services. Based on its assessment of FASB ASC 280, *Segment Reporting*, guidance at December 31, 2019, the Company changed its reportable segment presentation in 2019 to include its drilling services, which includes Bison Drilling and Field Services LLC, Bison Trucking LLC, Panther Drilling Systems LLC, Mako Acquisitions LLC and White Wing Tubular LLC, as its own reportable segment. The results of the entities were previously included in the reconciling column titled "All Other" in the table below for the three months ended September 30, 2019. As of September 30, 2020, the Company's four reportable segments include infrastructure services ("Infrastructure"), pressure pumping services ("Pressure Pumping"), natural sand proppant services ("Sand") and drilling services ("Drilling"). The results for the three and nine months ended September 30, 2019 have been retroactively adjusted to reflect his change in reportable segments.

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

During certain of the periods presented, the Company also provided coil tubing services, flowback services, cementing services, acidizing services, equipment rental services, full service transportation, crude oil hauling services, remote accommodation, oilfield equipment manufacturing and infrastructure engineering and design services. The businesses that provide these services are distinct operating segments, which the CODM reviews independently when making key operating and resource utilization decisions. None of these operating segments meet the quantitative thresholds of a reporting segment and do not meet the aggregation criteria set forth in ASC 280 *Segment Reporting*. Therefore, results for these operating segments are included in the column labeled "All Other" in the tables below. Additionally, assets for

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corporate activities, which primarily include cash and cash equivalents, inter-segment accounts receivable, prepaid insurance and certain property and equipment, are included in the All Other column. Although Mammoth LLC, which holds these corporate assets, meets one of the quantitative thresholds of a reporting segment, it does not engage in business activities from which it may earn revenues and its results are not regularly reviewed by the Company's CODM when making key operating and resource utilization decisions. Therefore, the Company does not include it as a reportable segment.

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

Three months ended September 30, 2020	Infrastructure	Pressure Pumping	Sand	Drilling	All Other	Eliminations	Total
Revenue from external customers	\$ 44,009	\$ 15,738	\$ 6,031	\$ 1,193	\$ 3,563	\$ —	\$ 70,534
Intersegment revenues	—	53	—	26	672	(751)	—
Total revenue	44,009	15,791	6,031	1,219	4,235	(751)	70,534
Cost of revenue, exclusive of depreciation, depletion, amortization and accretion	29,074	6,881	3,784	1,964	4,226	—	45,929
Intersegment cost of revenues	162	449	26	—	114	(751)	—
Total cost of revenue	29,236	7,330	3,810	1,964	4,340	(751)	45,929
Selling, general and administrative	7,377	1,744	1,033	382	1,644	—	12,180
Depreciation, depletion, amortization and accretion	7,589	7,196	2,693	2,323	3,331	—	23,132
Operating loss	(193)	(479)	(1,505)	(3,450)	(5,080)	—	(10,707)
Interest expense, net	628	269	54	60	87	—	1,098
Other (income) expense, net	(9,204)	(1,156)	1,792	20	(494)	—	(9,042)
Income (loss) before income taxes	\$ 8,383	\$ 408	\$ (3,351)	\$ (3,530)	\$ (4,673)	\$ —	\$ (2,763)

Three months ended September 30, 2019	Infrastructure	Pressure Pumping	Sand	Drilling	All Other	Eliminations	Total
Revenue from external customers	\$ 37,289	\$ 43,887	\$ 12,634	\$ 6,065	\$ 13,542	\$ —	\$ 113,417
Intersegment revenues	—	725	5,727	58	417	(6,927)	—
Total revenue	37,289	44,612	18,361	6,123	13,959	(6,927)	113,417
Cost of revenue, exclusive of depreciation, depletion, amortization and accretion	36,940	33,059	18,547	7,203	15,385	—	111,134
Intersegment cost of revenues	—	6,054	326	185	362	(6,927)	—
Total cost of revenue	36,940	39,113	18,873	7,388	15,747	(6,927)	111,134
Selling, general and administrative	7,322	3,669	1,314	910	1,208	—	14,423
Depreciation, depletion, amortization and accretion	7,953	10,176	4,022	3,096	4,544	—	29,791
Impairment of goodwill	—	—	—	—	3,194	—	3,194
Impairment of other long-lived assets	—	—	—	—	3,348	—	3,348
Operating loss	(14,926)	(8,346)	(5,848)	(5,271)	(14,082)	—	(48,473)
Interest expense, net	599	316	43	220	220	—	1,398
Other (income) expense, net	(6,239)	(3)	99	(100)	(125)	—	(6,368)
Loss before income taxes	\$ (9,286)	\$ (8,659)	\$ (5,990)	\$ (5,391)	\$ (14,177)	\$ —	\$ (43,503)

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Nine months ended September 30, 2020	Infrastructure	Pressure Pumping	Sand	Drilling	All Other	Eliminations	Total
Revenue from external customers	\$ 100,294	\$ 74,549	\$ 22,421	\$ 7,166	\$ 23,596	\$ —	\$ 228,026
Intersegment revenues	—	1,435	95	107	2,026	(3,663)	—
Total revenue	100,294	75,984	22,516	7,273	25,622	(3,663)	228,026
Cost of revenue, exclusive of depreciation, depletion, amortization and accretion	81,389	41,833	20,465	9,627	23,274	—	176,588
Intersegment cost of revenues	197	1,410	355	151	1,550	(3,663)	—
Total cost of revenue	81,586	43,243	20,820	9,778	24,824	(3,663)	176,588
Selling, general and administrative	19,711	5,443	3,641	2,777	5,105	—	36,677
Depreciation, depletion, amortization and accretion	23,339	23,373	7,353	7,900	11,165	—	73,130
Impairment of goodwill	—	53,406	—	—	1,567	—	54,973
Impairment of other long-lived assets	—	4,203	—	326	8,368	—	12,897
Operating loss	(24,342)	(53,684)	(9,298)	(13,508)	(25,407)	—	(126,239)
Interest expense, net	2,105	907	167	473	555	—	4,207
Other (income) expense, net	(24,289)	(2,444)	1,753	(251)	(490)	—	(25,721)
Loss before income taxes	\$ (2,158)	\$ (52,147)	\$ (11,218)	\$ (13,730)	\$ (25,472)	\$ —	\$ (104,725)

Nine months ended September 30, 2019	Infrastructure	Pressure Pumping	Sand	Drilling	All Other	Eliminations	Total
Revenue from external customers	\$ 187,831	\$ 217,456	\$ 66,820	\$ 27,091	\$ 58,177	\$ —	\$ 557,375
Intersegment revenues	—	3,936	29,795	484	1,870	(36,085)	—
Total revenue	187,831	221,392	96,615	27,575	60,047	(36,085)	557,375
Cost of revenue, exclusive of depreciation, depletion, amortization and accretion	140,768	157,106	81,475	29,030	59,841	—	468,220
Intersegment cost of revenues	1	31,388	2,513	686	1,557	(36,145)	—
Total cost of revenue	140,769	188,494	83,988	29,716	61,398	(36,145)	468,220
Selling, general and administrative	19,874	9,544	4,214	3,117	4,464	—	41,213
Depreciation, depletion, amortization and accretion	23,490	30,244	11,423	9,866	13,489	—	88,512
Impairment of goodwill	—	—	—	—	3,194	—	3,194
Impairment of other long-lived assets	—	—	—	—	3,348	—	3,348
Operating income (loss)	3,698	(6,890)	(3,010)	(15,124)	(25,846)	60	(47,112)
Interest expense, net	1,024	965	145	679	659	—	3,472
Other (income) expense, net	(35,108)	5	67	(122)	214	—	(34,944)
Income (loss) before income taxes	\$ 37,782	\$ (7,860)	\$ (3,222)	\$ (15,681)	\$ (26,719)	\$ 60	\$ (15,640)

	Infrastructure	Pressure Pumping	Sand	Drilling	All Other	Eliminations	Total
As of September 30, 2020:							
Total assets	\$ 414,164	\$ 123,609	\$ 176,577	\$ 49,195	\$ 114,158	\$ (46,604)	\$ 831,099
As of December 31, 2019:							
Total assets	\$ 420,285	\$ 175,259	\$ 190,382	\$ 61,545	\$ 142,731	\$ (37,817)	\$ 952,385

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, 2019, filed with the Securities and Exchange Commission, or the SEC, on March 2, 2020, our Quarterly Reports on Form 10-Q for the first quarter ended March 31, 2020, filed with the SEC on May 11, 2020, and second quarter ended June 30, 2020, filed with the SEC on July 31, 2020, our subsequent Current Reports on Form 8-K filed with the SEC and the section entitled “Forward-Looking Statements” appearing elsewhere in this Quarterly Report.

Overview

We are an integrated, growth-oriented company serving both the electric utility and oil and gas industries in North America. Our primary business objective is to grow our operations and create value for stockholders through organic growth opportunities and accretive acquisitions. Our suite of services includes infrastructure services, pressure pumping services, natural sand proppant services, drilling services and other services, which includes coil tubing, equipment rental, full service transportation, crude oil hauling, remote accommodations, oilfield equipment manufacturing and infrastructure engineering and design services. Our infrastructure services division provides construction, upgrade, maintenance and repair services to the electrical infrastructure industry. Our pressure pumping 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 pressure control services, equipment rentals, crude oil hauling services, remote accommodations, oilfield equipment manufacturing and infrastructure engineering and design services. 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. During the fourth quarter of 2019, we began infrastructure engineering operations focused on the transmission and distribution industry and also commenced oilfield equipment manufacturing operations. The startup of oilfield equipment manufacturing operations provides 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 oilfield equipment manufacturing operations has initially served our internal needs for our water transfer and equipment rental businesses, but we expect to expand into third party sales in the future. We are continuing to explore other opportunities to expand our business lines as we shift to a broader industrial focus.

Recent Developments

Impact of the Ongoing COVID-19 Pandemic and Volatility in Commodity Prices

On March 11, 2020, the World Health Organization characterized the global spread of the novel strain of coronavirus, COVID-19, as a “pandemic.” To limit the spread of COVID-19, governments have taken various actions including the issuance of stay-at-home orders and social distancing guidelines, causing some businesses to suspend operations and a reduction in demand for many products from direct or ultimate customers. While many of the stay-at-home orders have expired, the COVID-19 pandemic has resulted in a widespread health crisis and a swift and unprecedented reduction in international and U.S. economic activity which, in turn, has adversely affected, and continues to adversely affect, the demand for oil and natural gas and caused significant volatility and disruption of the capital and financial markets.

In March and April 2020, concurrent with the spread of COVID-19 and quarantine orders in the U.S. and worldwide, oil prices dropped sharply to below zero for the first time in history due to factors including significantly reduced demand and a shortage of storage facilities. As a result of the oversupply, OPEC members and other oil exporting nations reached an agreement to curtail up to 10% of the world’s supply and certain U.S. producers voluntarily curtailed production. These actions helped to reduce a portion of the excess supply in the market and improve oil prices. In the third quarter of 2020, many U.S. producers resumed completion activities to stem production declines and stabilize their production base as demand for crude oil rebounded but continued to be soft. Downward pressure on commodity prices has continued and could continue for the

foreseeable future as a result of production levels, inventories and demand, and national and international economic performance. We cannot predict if, or when, commodity prices will stabilize and at what price points and when global inventories will return to normalized levels.

Beginning in early March 2020, in response to the ongoing COVID-19 pandemic and the depressed commodity prices, many exploration and production companies, including our customers, immediately began to substantially reduce their capital expenditure budgets. As a result, demand for our oilfield services, which was already under considerable pressure from reductions in our customers' capital expenditure budgets in 2019, declined further at the end of the first quarter of 2020 and continued to decline further throughout the second and third quarters. Demand for both gasoline and oil rebounded to some extent toward the end of the second quarter of 2020 and stabilized to some degree throughout the third quarter of 2020, but remains below historical levels. As a result, depressed levels of oilfield service activity are expected to continue for the foreseeable future. The ongoing COVID-19 pandemic, the broad reduction in economic activity, the current conditions in the energy industry and the adverse macroeconomic conditions have also had, and are likely to continue to have, an adverse effect on both pricing and utilization for our oilfield services.

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 actively monitoring the impact of the COVID-19 pandemic and the adverse industry and market conditions and have taken mitigating steps 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 current conditions continue, do not improve or worsen. Given the dynamic nature of these events, we are unable to predict the ultimate impact of the COVID-19 pandemic, the depressed commodity markets, the reduced demand for oil and oilfield services and adverse macroeconomic conditions on our business, financial condition, results of operations, cash flows and stock price or the pace or extent of any subsequent recovery.

Third Quarter 2020 Financial Highlights

- Net income of \$3 million, or \$0.07 per diluted share for the three months ended September 30, 2020.
- Adjusted EBITDA of \$22 million for the three months ended September 30, 2020. See “Non-GAAP Financial Measures” below for a reconciliation of net income to Adjusted EBITDA.
- Consolidated Adjusted EBITDA for the three months ended September 30, 2020, excluding interest on trade accounts receivable, grew \$15 million, or 688%, compared to the three months ended June 30, 2020. See “Non-GAAP Financial Measures” below for a reconciliation of net income to Adjusted EBITDA.
- Adjusted EBITDA for the three months ended September 30, 2020, excluding interest on trade accounts receivable, generated by our infrastructure services segment grew over 350% compared to the three months ended June 30, 2020, laying the foundation for future growth for our infrastructure services business. See “Non-GAAP Financial Measures” below for a reconciliation of net income to Adjusted EBITDA.

Industry Overview

Energy Infrastructure Industry

In 2017, we expanded into the electric infrastructure business, offering both commercial and storm restoration services to government-funded utilities, private utilities, public investor owned utilities and cooperatives. Since we commenced operations in this line of business, a substantial portion of our infrastructure revenue has been generated from storm restoration work, primarily from the Puerto Rico Electric Power Authority, or PREPA, due to damage caused by Hurricane Maria. On October 19, 2017, Cobra Acquisitions LLC, or Cobra, and PREPA entered into an emergency master services agreement for repairs to PREPA's electrical grid. The one-year contract, as amended, provided for payments of up to \$945 million. On May 26, 2018, Cobra and PREPA entered into a new one-year, \$900 million master services agreement to provide additional repair services and begin the initial phase of reconstruction of the electrical power system in Puerto Rico. Our work under each of the contracts with PREPA ended on March 31, 2019.

As of September 30, 2020, PREPA owed us approximately \$227 million for services performed excluding approximately \$66 million of interest charged on these delinquent balances as of September 30, 2020. See Note 2. Basis of Presentation and Significant Accounting Policies—Accounts Receivable of our unaudited condensed consolidated financial statements. PREPA is currently subject to bankruptcy proceedings, 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 under the

contracts is largely dependent upon funding from the Federal Emergency Management Agency or other sources. On September 30, 2019, we filed a motion with the U.S. District Court for the District of Puerto Rico seeking recovery of the amounts owed to us by PREPA, which motion was stayed by the court. On March 25, 2020, we filed an urgent motion to modify the stay order and allow our recovery of approximately \$62 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 until an omnibus hearing to be held in December 2020. In the event PREPA (i) does not have or does not obtain the funds necessary to satisfy its obligations to Cobra under the contracts, (ii) obtains the necessary funds but refuses to pay the amounts owed to us or (iii) otherwise does not pay amounts owed to us for services performed, the receivable may not be collected and our financial condition, results of operations and cash flows would be materially and adversely affected. In addition, government contracts are subject to various uncertainties, restrictions and regulations, including oversight audits and compliance reviews by government agencies and representatives. In this regard, 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. We are continuing to cooperate with the related investigation. We are also subject to investigations and legal proceedings related to our contracts with PREPA. Given the uncertainty inherent in the criminal litigation, investigations and legal proceedings, it is not possible at this time to determine the potential outcome or other potential impacts that they could have on us. See Note 18. Commitments and Contingencies to our unaudited condensed consolidated financial statements included elsewhere in this quarterly report for additional information regarding these investigations and proceedings. Further, as noted above, 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 PREPA or other customers to replace the level of services that we provided to PREPA under our previous contracts.

Demand for our infrastructure services in the continental United States remains steady, and our crew count remained stable at approximately 120 crews throughout the third quarter of 2020. The COVID-19 pandemic and resulting economic conditions have not had a material impact on demand or pricing for our infrastructure services. Transmission crew size varies based upon the scope of the project and factors such as voltage, structure type, number of conductors and type of foundation. Each distribution crew generally consists of five employees. These transmission and distribution crews work for multiple utilities primarily across the northeastern, midwestern and southwestern portions of the United States. During the fourth quarter of 2019, we hired a new president for our infrastructure division and have added experienced industry personnel to key management positions. With this team in place, we believe we will be able to grow our customer base and increase our revenues in the continental United States over the coming years. We also believe that the skill sets and experience of our crews will afford us enhanced bidding opportunities in both the U.S. and overseas.

Oil and Natural Gas Industry

The oil and natural gas industry has traditionally been volatile and is influenced by a combination of long-term, short-term and cyclical trends, including the domestic and international supply and demand for oil and natural gas, current and expected future prices for oil and natural gas and the perceived stability and sustainability of those prices, production depletion rates and the resultant levels of cash flows generated and allocated by exploration and production companies to their drilling, completion and related services and products budget. The oil and natural gas industry is also impacted by general domestic and international economic conditions, political instability in oil producing countries, government regulations (both in the United States and elsewhere), levels of customer demand, the availability of pipeline capacity, storage capacity and other conditions and factors that are beyond our control. See “Recent Developments—Impact of the Ongoing COVID-19 Pandemic and Volatility in Commodity Prices” above.

Demand for most of our oil and natural gas products and services depends substantially on the level of expenditures by companies in the oil and natural gas industry. The levels of capital expenditures of our customers are predominantly driven by the prices of oil and natural gas. As discussed above, oil prices dropped sharply throughout March and April of 2020 and have continued to experience significant volatility. Oil and natural gas prices are expected to continue to be volatile and we cannot predict if, or when, commodity prices will improve and stabilize. We experienced a weakening in demand for our oilfield services during 2019 as a result of reductions in our customers' capital expenditure budgets. The sharp decline in oil prices beginning in March 2020 further reduced the utilization and pricing of our oilfield services. While oil prices have stabilized somewhat over the May through October 2020 timeframe, they remain at depressed levels and we currently anticipate weakness in demand for our oilfield products and services to continue for at least the remainder of 2020.

In response to market conditions, we 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 and our coil tubing and full service transportation operations beginning in July 2020. We continue to

monitor the market to determine if and when we can recommence these services. Further, we are currently not operating any of our six pressure pumping fleets. Based on current feedback from our exploration and production customers, they are taking a cautious approach to activity levels for the remainder of 2020 given the recent volatility in oil prices and investor sentiment calling for activities to remain within or below cash flows. Market fundamentals are challenging for our oil field businesses and we expect this trend to continue for at least the remainder of 2020. Although we believe the reported retirement of equipment across the industry may, at some point, help the market, pricing and utilization for our oilfield services are expected to remain depressed for the foreseeable future. While the oilfield portion of our service offerings continue to experience significant challenges, we continue to maintain our oilfield equipment and plan to be ready to ramp up our oilfield service offerings when oilfield demand, pricing and margins strengthen.

We intend to closely monitor our cost structure in response to market conditions and pursue cost savings where possible. Further, a significant portion of our revenue from our pressure pumping business is derived from Gulfport pursuant to a contract that expires in December 2021. On December 28, 2019, Gulfport filed a lawsuit alleging our breach of this contract and seeking to terminate the contract and recover damages for alleged overpayments, audit costs and legal fees. Gulfport has not made the payments owed to us under this contract for any periods subsequent to its alleged December 28, 2019 termination date. As of September 30, 2020, Gulfport owed us approximately \$34 million pursuant to this contract excluding approximately \$2 million of interest charged on these delinquent balances as of September 30, 2020. We believe Gulfport's actions are without merit and will vigorously defend the lawsuit. However, the termination of our relationship with Gulfport, or nonrenewal of our contract with Gulfport, or one or more of our other customers, if not replaced with comparable or greater levels of service from other customers, would result in lower utilization rates for our pressure pumping equipment and, as a result, would have a material adverse effect on our business, financial condition, results of operations and cash flow.

Natural Sand Proppant Industry

In the natural sand proppant industry, demand growth for frac sand and other proppants is primarily driven by advancements in oil and natural gas drilling and well completion technology and techniques, such as horizontal drilling and hydraulic fracturing, as well as overall industry activity growth.

In 2018 and 2019, several new and existing suppliers completed planned capacity additions of frac sand supply, particularly in the Permian Basin. The industry expansion, coupled with increased capital discipline and budget exhaustion, caused the frac sand market to become oversupplied, particularly in finer grades, during the second half of 2019. With the frac sand market oversupplied, pricing for all grades has fallen significantly from the peaks experienced throughout 2018 and during the first half of 2019. This oversupply resulted in several industry participants idling and closing high cost mines in an attempt to restore the supply and demand balance and reduce the number of industry participants. Nevertheless, demand for our sand declined significantly in the second half of 2019 and throughout 2020 as a result of completion activity falling due to lower oil demand and pricing as discussed above, increased capital discipline by our customers and budget exhaustion, among other factors. We cannot predict if and when demand and pricing will recover sufficiently to return our natural sand proppant services segment to profitability.

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 Taylor sand facility in Taylor, Wisconsin and Piranha sand facility in New Auburn, Wisconsin are currently running at approximately 9% capacity.

A portion of our revenue from our natural sand proppant business is derived from Gulfport pursuant to a contract that expires in December 2021. Gulfport has not made the payments owed to us under this contract for any periods subsequent to May 2020. As of September 30, 2020, Gulfport owed us approximately \$2 million pursuant to this contract excluding a nominal amount of interest charged on these delinquent balances as of September 30, 2020. In September 2020, we filed a lawsuit seeking to recover delinquent payments owed to us under this contract.

Results of Operations

Three Months Ended September 30, 2020 Compared to Three Months Ended September 30, 2019

	Three Months Ended	
	September 30, 2020	September 30, 2019
	(in thousands)	
Revenue:		
Infrastructure services	\$ 44,009	\$ 37,289
Pressure pumping services	15,791	44,612
Natural sand proppant services	6,031	18,361
Drilling services	1,219	6,123
Other services	4,235	13,959
Eliminations	(751)	(6,927)
Total revenue	70,534	113,417
Cost of revenue:		
Infrastructure services (exclusive of depreciation and amortization of \$7,578 and \$7,947, respectively, for the three months ended September 30, 2020 and 2019)	29,236	36,940
Pressure pumping services (exclusive of depreciation and amortization of \$7,193 and \$10,165, respectively, for the three months ended September 30, 2020 and 2019)	7,330	39,113
Natural sand proppant services (exclusive of depreciation, depletion and accretion of \$2,689 and \$4,019, respectively, for the three months ended September 30, 2020 and 2019)	3,810	18,873
Drilling services (exclusive of depreciation and amortization of \$2,323 and \$3,095, respectively, for the three months ended September 30, 2020 and 2019)	1,964	7,388
Other services (exclusive of depreciation and amortization of \$3,330 and \$4,452, respectively, for the three months ended September 30, 2020 and 2019)	4,340	15,747
Eliminations	(751)	(6,927)
Total cost of revenue	45,929	111,134
Selling, general and administrative expenses	12,180	14,423
Depreciation, depletion, amortization and accretion	23,132	29,791
Impairment of goodwill	—	3,194
Impairment of other long-lived assets	—	3,348
Operating loss	(10,707)	(48,473)
Interest expense, net	(1,098)	(1,398)
Other income, net	9,042	6,368
Loss before income taxes	(2,763)	(43,503)
Benefit for income taxes	(6,193)	(7,794)
Net income (loss)	\$ 3,430	\$ (35,709)

Revenue. Revenue for the three months ended September 30, 2020 decreased \$42 million, or 37%, to \$71 million from \$113 million for the three months ended September 30, 2019. The decrease in total revenue is primarily attributable to declines in pressure pumping services revenue, natural sand proppant revenue and other services revenue of \$29 million, \$12 million and \$10 million, respectively, during the three months ended September 30, 2020. These decreases were partially offset by a \$7 million increase in infrastructure services revenue. Revenue derived from related parties was \$10 million, or 15% of our total revenues, for the three months ended September 30, 2020 and \$18 million, or 16% of our total revenue, for the three months ended September 30, 2019. Substantially all of our related party revenue is derived from Gulfport under pressure pumping and sand contracts. For additional information regarding the status of these contracts, 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 \$7 million, or 18%, to \$44 million for the three months ended September 30, 2020 from \$37 million for the three months ended September 30, 2019. The increase is primarily due to increases in storm restoration revenue during the three months ended September 30, 2020 compared to the three months ended September 30, 2019.

Pressure Pumping Services. Pressure pumping services division revenue decreased \$29 million, or 64%, to \$16 million for the three months ended September 30, 2020 from \$45 million for the three months ended September 30, 2019. Revenue derived from related parties was \$8 million, or 50% of total pressure pumping revenue, for the three months ended September 30, 2020 compared to \$14 million, or 31% of total pressure pumping revenue, for the three months ended September 30, 2019. All of our pressure pumping related party revenue is derived from Gulfport under a pressure pumping contract. Inter-segment revenue, consisting primarily of revenue derived from our sand segment, was a nominal amount and \$1 million for the three months ended September 30, 2020 and 2019, respectively.

The decrease in our pressure pumping services revenue was primarily driven by declines in utilization and pricing. The number of stages completed decreased 43% from 783 for the three months ended September 30, 2019 to 449 for the three months ended September 30, 2020. An average of 0.9 of our fleets were active for the three months ended September 30, 2020 as compared to an average of 1.2 fleets for the three months ended September 30, 2019.

Natural Sand Proppant Services. Natural sand proppant services division revenue decreased \$12 million, or 67%, to \$6 million for the three months ended September 30, 2020, from \$18 million for the three months ended September 30, 2019. Revenue derived from related parties was \$2 million, or 33% of total sand revenue, for the three months ended September 30, 2020 and \$3 million, or 17% of total sand revenue, for the three months ended September 30, 2019. All of our natural sand proppant related party revenue is derived from a contract with Gulfport. Inter-segment revenue, consisting primarily of revenue derived from our pressure pumping segment, was \$6 million, or 31% of total sand revenue, for the three months ended September 30, 2019. The natural sand proppant services division did not have inter-segment revenues for the three months ended September 30, 2020.

The decrease in our natural sand proppant services revenue was primarily attributable to a 85% decrease in tons of sand sold from 456,471 tons for the three months ended September 30, 2019 to 67,715 tons for the three months ended September 30, 2020, as well as a 42% decline in the average price per ton of sand sold from \$26.84 per ton during the three months ended September 30, 2019 to \$15.59 per ton during the three months ended September 30, 2020. Included in natural sand proppant services revenue is shortfall revenue of \$5 million and \$0.3 million for the three months ended September 30, 2020 and 2019, respectively.

Drilling Services. Drilling services division revenue decreased \$5 million, or 83%, to \$1 million for the three months ended September 30, 2020, from \$6 million for the three months ended September 30, 2019. Revenue derived from related parties and inter-segment revenue were nominal for the months ended September 30, 2020 and 2019. The decline in our drilling services revenue was primarily attributable to declines in directional drilling, rig hauling and contract land drilling revenue of \$2 million, \$2 million and \$1 million, respectively. In response to market conditions, we temporarily shut down our contract land drilling operations beginning in December 2019 and our rig hauling operations beginning in April 2020.

Other Services. Other revenue, consisting of revenue derived from our coil tubing, pressure control, flowback, cementing, acidizing, equipment rental, full service transportation, crude oil hauling, remote accommodation, oilfield equipment manufacturing and infrastructure engineering and design businesses, decreased \$10 million, or 71%, to \$4 million for the three months ended September 30, 2020 from \$14 million for the three months ended September 30, 2019. Revenue derived from related parties, consisting primarily of equipment rental revenue from Gulfport, was a nominal amount for the three months ended September 30, 2020 and \$1 million, or 7% of total other revenue, for the three months ended September 30, 2019. Inter-segment revenue, consisting primarily of revenue derived from our pressure pumping segment, was \$1 million and a nominal amount for the three months ended September 30, 2020 and 2019, respectively.

The decrease in our other services revenue was primarily due to a decline in utilization for our equipment rental business. An average of 70 pieces of equipment was rented to customers during the three months ended September 30, 2020, a decrease of 87% from an average of 541 pieces of equipment rented to customers during the

three months ended September 30, 2019. Additionally, revenue from our coil tubing business declined \$3 million during the three months ended September 30, 2020 compared to the three months ended September 30, 2019. Due to market conditions, we temporarily shut down our cementing and acidizing operations as well as our flowback operations beginning in July 2019 and our coil tubing and full service transportation operations beginning in July 2020.

Cost of Revenue (exclusive of depreciation, depletion, amortization and accretion expense). Cost of revenue, exclusive of depreciation, depletion, amortization and accretion expense, decreased \$65 million from \$111 million, or 98% of total revenue, for the three months ended September 30, 2019 to \$46 million, or 65% of total revenue, for the three months ended September 30, 2020. The decrease was primarily due to a decline in activity across our oilfield service business lines. Cost of revenue by operating division was as follows:

Infrastructure Services. Infrastructure services division cost of revenue, exclusive of depreciation and amortization expense, decreased \$8 million, or 22%, to \$29 million for the three months ended September 30, 2020 from \$37 million for the three months ended September 30, 2019. The decline is primarily due to decreases in equipment rental and repair and maintenance expenses. As a percentage of revenue, cost of revenue, exclusive of depreciation and amortization expense of \$8 million for each of the three months ended September 30, 2020 and 2019, was 66% and 99% for the three months ended September 30, 2020 and 2019, respectively. The decrease is primarily due to declines in labor, equipment rental and repair and maintenance costs as a percentage of revenue.

Pressure Pumping Services. Pressure pumping services division cost of revenue, exclusive of depreciation and amortization expense, decreased \$32 million, or 82%, to \$7 million for the three months ended September 30, 2020 from \$39 million for the three months ended September 30, 2019, primarily due to a decline in activity. As a percentage of revenue, our pressure pumping services division cost of revenue, exclusive of depreciation and amortization expense of \$7 million and \$10 million for the three months ended September 30, 2020 and 2019, respectively, was 46% and 88% for the three months ended September 30, 2020 and 2019, respectively. The decrease is primarily due to the recognition of standby revenue during the three months ended September 30, 2020, of which there was a lower percentage of costs recognized compared to the three months ended September 30, 2019. Additionally, during the three months ended September 30, 2019, we provided sand and chemicals with our service package to customers, resulting in higher cost of goods sold as a percentage of revenue for this period in comparison to the three months ended September 30, 2020.

Natural Sand Proppant Services. Natural sand proppant services division cost of revenue, exclusive of depreciation, depletion and accretion expense, decreased \$15 million, or 79%, to \$4 million for the three months ended September 30, 2020 from \$19 million for the three months ended September 30, 2019, primarily due to a decline in cost of goods sold as a result of a 85% decrease in tons of sand sold. As a percentage of revenue, cost of revenue, exclusive of depreciation, depletion and accretion expense of \$3 million and \$4 million for the three months ended September 30, 2020 and 2019, respectively, was 63% and 103% for the three months ended September 30, 2020 and 2019, respectively. The decrease is primarily due to the recognition of shortfall revenue during the three months ended September 30, 2020, for which there are no associated costs, compared to the three months ended September 30, 2019.

Drilling Services. Drilling services division cost of revenue, exclusive of depreciation and amortization expense, decreased \$5 million, or 71%, to \$2 million for the three months ended September 30, 2020 from \$7 million for the three months ended September 30, 2019. In response to market conditions, we have temporarily shut down our contract land drilling operations beginning in December 2019 and our rig hauling operations beginning in April 2020. As a percentage of revenue, our drilling services division cost of revenue, exclusive of depreciation and amortization expense of \$2 million and \$3 million for the three months ended September 30, 2020 and 2019, respectively, was 161% and 121% for the three months ended September 30, 2020 and 2019, respectively. The increase is primarily due to a decline in utilization.

Other Services. Other services division cost of revenue, exclusive of depreciation and amortization expense, decreased \$12 million, or 75%, to \$4 million for the three months ended September 30, 2020 from \$16 million for the three months ended September 30, 2019, primarily due to declines in cost of revenue for our equipment rental and coil tubing businesses as a result of reduced activity. Additionally, due to market conditions, we have temporarily shut down our cementing and acidizing operations as well as our flowback operations beginning in July 2019 resulting in a decline in cost of revenue. As a percentage of revenue, cost of revenue, exclusive of depreciation and amortization expense of \$3 million and \$4 million for the three months ended September 30, 2020 and 2019 was 102% and 113% for the three months ended September 30, 2020 and 2019, respectively. The decrease is primarily due to a decline in equipment rental and repair and maintenance costs as a percentage of revenue.

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

	Three Months Ended	
	September 30, 2020	September 30, 2019
Cash expenses:		
Compensation and benefits	\$ 3,449	\$ 4,777
Professional services	5,651	6,104
Other ^(a)	2,163	1,665
Total cash SG&A expense	11,263	12,546
Non-cash expenses:		
Bad debt provision	626	964
Stock based compensation	291	913
Total non-cash SG&A expense	917	1,877
Total SG&A expense	<u>\$ 12,180</u>	<u>\$ 14,423</u>

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

Depreciation, Depletion, Amortization and Accretion. Depreciation, depletion, amortization and accretion decreased \$7 million, or 23%, to \$23 million for the three months ended September 30, 2020 from \$30 million for the three months ended September 30, 2019. The decrease is primarily attributable to a decline in property and equipment depreciation expense and sand mine depletion expense.

Impairment of Goodwill. During the three months ended September 30, 2019, we temporarily shut down our cementing and acidizing operations as well as our flowback operations. As a result, we recorded impairment expense of \$3 million on goodwill. We did not record any impairment of goodwill during the three months ended September 30, 2020.

Impairment of Other Long-Lived Assets. During the three months ended September 30, 2019, we temporarily shut down our cementing and acidizing operations as well as our flowback operations. As a result, we recorded impairment expense of \$3 million on fixed assets. We did not record any impairment of other long-lived assets during the three months ended September 30, 2020.

Operating Loss. We reported an operating loss of \$11 million for the three months ended September 30, 2020 compared to an operating loss of \$48 million for the three months ended September 30, 2019. Operating loss decreased across all business lines primarily due to declines in cost of revenue and selling, general and administrative expenses.

Interest Expense, Net. Interest expense, net remained flat at approximately \$1 million for each of the three months ended September 30, 2020 and 2019.

Other Income, Net. Other income, net increased \$3 million during the three months ended September 30, 2020 compared to the three months ended September 30, 2019 primarily due to an increase in interest on trade account receivable. Pursuant to the terms of our contracts with PREPA and Gulfport, we recognized interest on trade accounts receivable totaling \$9 million and \$6 million during the three months ended September 30, 2020 and 2019, respectively.

Income Taxes. We recorded an income tax benefit of \$6 million on pre-tax losses of \$3 million for the three months ended September 30, 2020 compared to an income tax benefit of \$8 million on pre-tax losses of \$44 million for the three months ended September 30, 2019. During the three months ended September 30, 2020, we recorded a benefit of \$8 million related to provisions in the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Nine Months Ended September 30, 2020 Compared to Nine Months Ended September 30, 2019

	Nine Months Ended	
	September 30, 2020	September 30, 2019
	(in thousands)	
Revenue:		
Infrastructure services	\$ 100,294	\$ 187,831
Pressure pumping services	75,984	221,392
Natural sand proppant services	22,516	96,615
Drilling services	7,273	27,575
Other services	25,622	60,047
Eliminations	(3,663)	(36,085)
Total revenue	<u>228,026</u>	<u>557,375</u>
Cost of revenue:		
Infrastructure services (exclusive of depreciation and amortization of \$23,313 and \$23,471, respectively, for the nine months ended September 30, 2020 and 2019)	81,585	140,769
Pressure pumping services (exclusive of depreciation and amortization of \$23,360 and \$30,211, respectively, for the nine months ended September 30, 2020 and 2019)	43,243	188,494
Natural sand proppant services (exclusive of depreciation, depletion and accretion of \$7,344 and \$11,414, respectively, for the nine months ended September 30, 2020 and 2019)	20,821	83,988
Drilling services (exclusive of depreciation of \$7,898 and \$9,863, respectively, for the nine months ended September 30, 2020 and 2019)	9,778	29,716
Other services (exclusive of depreciation and amortization of \$11,157 and \$13,483, respectively, for the nine months ended September 30, 2020 and 2019)	24,824	61,398
Eliminations	(3,663)	(36,145)
Total cost of revenue	<u>176,588</u>	<u>468,220</u>
Selling, general and administrative expenses	36,677	41,213
Depreciation, depletion, amortization and accretion	73,130	88,512
Impairment of goodwill	54,973	3,194
Impairment of long-lived assets	12,897	3,348
Operating loss	(126,239)	(47,112)
Interest expense, net	(4,207)	(3,472)
Other income, net	25,721	34,944
Loss before income taxes	(104,725)	(15,640)
(Benefit) provision for income taxes	(8,979)	2,625
Net loss	<u>\$ (95,746)</u>	<u>\$ (18,265)</u>

Revenue. Revenue for the nine months ended September 30, 2020 decreased \$329 million, or 59%, to \$228 million from \$557 million for the nine months ended September 30, 2019. The decrease in total revenue is primarily attributable to declines in revenue across all business lines. Revenue derived from related parties was \$41 million, or 18% of our total revenue, for the nine months ended September 30, 2020 and \$122 million, or 22% of our total revenue, for the nine months ended September 30, 2019. Substantially all of our related party revenue is derived from Gulfport under pressure pumping and sand contracts. For additional information regarding the status of these contracts, 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 decreased \$88 million, or 47%, to \$100 million for the nine months ended September 30, 2020 from \$188 million for the nine months ended September 30, 2019 primarily due to the conclusion on March 31, 2019 of the work we performed under our contracts with PREPA for repairs to Puerto Rico's electrical grid as a result of Hurricane Maria. For additional information regarding our contracts with PREPA and our infrastructure services, see "Industry Overview - Electrical Infrastructure Industry" above. Revenue from operations in the continental United States increased \$9 million, or 10%, to \$100 million for the nine months ended September 30, 2020 from \$91 million for the nine months ended September 30, 2019.

Pressure Pumping Services. Pressure pumping services division revenue decreased \$145 million, or 66%, to \$76 million for the nine months ended September 30, 2020 from \$221 million for the nine months ended September 30, 2019. Revenue derived from related parties was \$35 million, or 46% of total pressure pumping revenue, for the nine months ended September 30, 2020 compared to \$85 million, or 38% of total pressure pumping revenue, for the nine months ended September 30, 2019. Substantially all of our pressure pumping related party revenue is derived from a contract with Gulfport. Inter-segment revenues, consisting primarily of revenue derived from our sand segment, totaled \$1 million and \$4 million for the nine months ended September 30, 2020 and 2019, respectively.

The decrease in our pressure pumping services revenue was primarily driven by a declines in utilization and pricing. The number of stages completed decreased 41% to 2,589 for the nine months ended September 30, 2020 from 4,389 for the nine months ended September 30, 2019. An average of 1.8 of our six fleets were active for the nine months ended September 30, 2020 as compared to an average of 2.0 fleets for the nine months ended September 30, 2019.

Natural Sand Proppant Services. Natural sand proppant services division revenue decreased \$74 million, or 76%, to \$23 million for the nine months ended September 30, 2020, from \$97 million for the nine months ended September 30, 2019. Revenue derived from related parties was \$6 million, or 25% of total sand revenue, for the nine months ended September 30, 2020 and \$26 million, or 27% of total sand revenue, for the nine months ended September 30, 2019. All of our natural sand proppant related party revenue is derived from a contract with Gulfport. Inter-segment revenue, consisting primarily of revenue derived from our pressure pumping segment, was a nominal amount for the nine months ended September 30, 2020 and \$30 million, or 31% of total sand revenue, for the nine months ended September 30, 2019.

The decrease in our natural sand proppant services revenue was primarily attributable to an 80% decrease in tons of sand sold from approximately 1,934,891 tons for the nine months ended September 30, 2019 to approximately 389,436 tons for the nine months ended September 30, 2020, as well as a 52% decline in average sales price per ton of sand sold from \$30.08 per ton during the nine months ended September 30, 2019 to \$14.32 per ton during the nine months ended September 30, 2020. Included in natural sand proppant services revenue is shortfall revenue of \$15 million and \$1 million, respectively, for the nine months ended September 30, 2020 and 2019.

Drilling Services. Drilling services revenue decreased \$21 million, or 75%, to \$7 million for the nine months ended September 30, 2020 from \$28 million for the nine months ended September 30, 2019. Revenue derived from related parties, consisting primarily of revenue from El Toro Resources LLC, was a nominal amount and \$1 million for the nine months ended September 30, 2020 and 2019, respectively.

The decline in our drilling services revenue was primarily attributable to declines in contract land drilling, rig hauling and directional drilling revenue of \$9 million, \$8 million and \$4 million, respectively. In response to market conditions, we have temporarily shut down our contract land drilling operations beginning in December 2019 and our rig hauling operations beginning in April 2020.

Other Services. Other revenue, consisting of revenue derived from our coil tubing, pressure control, flowback, cementing, acidizing, equipment rental, full service transportation, crude oil hauling, remote accommodation, oilfield equipment manufacturing and infrastructure engineering businesses, decreased \$34 million, or 57%, to \$26 million for the nine months ended September 30, 2020 from \$60 million for the nine months ended September 30, 2019. Revenue derived from related parties, consisting primarily of equipment rental revenue from Gulfport, was a nominal amount for the nine months ended September 30, 2020 and \$9 million, or 15% of total other revenue, for the nine months ended September 30, 2019. Inter-segment revenue, consisting primarily of revenue derived from our infrastructure and pressure pumping segments, totaled \$2 million for each of the nine months ended September 30, 2020 and 2019.

The decrease in our other services revenue was primarily due to a decline in utilization for our equipment rental business. An average of 245 pieces of equipment was rented to customers during the nine months ended September 30, 2020, a decrease of 58% from an average of 587 pieces of equipment rented to customers during the nine months ended September 30, 2019. Additionally, utilization for our coil tubing and crude oil hauling businesses declined. Due to market conditions, we temporarily shut down our cementing and acidizing operations as well as our flowback operations in July 2019. These decreases were partially offset by increases in revenue for our remote accommodations and infrastructure engineering businesses.

Cost of Revenue (exclusive of depreciation, depletion, amortization and accretion expense). Cost of revenue, exclusive of depreciation, depletion, amortization and accretion expense, decreased \$291 million from \$468 million, or 84% of total revenue, for the nine months ended September 30, 2019 to \$177 million, or 77% of total revenue, for the nine months ended September 30, 2020. The decrease was primarily due to a decline in activity across all business lines. Cost of revenue by operating division was as follows:

Infrastructure Services. Infrastructure services division cost of revenue, exclusive of depreciation and amortization expense, decreased \$59 million, or 42%, to \$82 million for the nine months ended September 30, 2020 from \$141 million for the nine months ended September 30, 2019. The decrease is primarily due to the conclusion on March 31, 2019 of the work we performed under our contracts with PREPA for repairs to Puerto Rico's electrical grid as a result of Hurricane Maria. As a percentage of revenue, cost of revenue, exclusive of depreciation and amortization expense of \$23 million for each of the nine months ended September 30, 2020 and 2019 was 81% and 75% for the nine months ended September 30, 2020 and 2019, respectively. The increase is primarily due to increased labor costs as a percentage of revenue.

Pressure Pumping Services. Pressure pumping services division cost of revenue, exclusive of depreciation and amortization expense, decreased \$145 million, or 77%, to \$43 million for the nine months ended September 30, 2020 from \$188 million for the nine months ended September 30, 2019. The decrease was primarily due to a decline in activity. As a percentage of revenue, our pressure pumping services division cost of revenue, exclusive of depreciation and amortization expense of \$23 million and \$30 million for the nine months ended September 30, 2020 and 2019, respectively, was 57% and 85% for the nine months ended September 30, 2020 and 2019, respectively. The decrease is primarily due to the recognition of standby revenue during the nine months ended September 30, 2020, of which there was a lower percentage of costs recognized compared to the nine months ended September 30, 2019. Additionally, during the nine months ended September 30, 2019, we provided sand and chemicals with our service package to customers, resulting in higher cost of goods sold as a percentage of revenue for this period in comparison to the nine months ended September 30, 2020.

Natural Sand Proppant Services. Natural sand proppant services division cost of revenue, exclusive of depreciation, depletion and accretion expense, decreased \$63 million, or 75%, from \$84 million for the nine months ended September 30, 2019 to \$21 million for the nine months ended September 30, 2020, primarily due to a decline in cost of goods sold as a result of a decrease in tons of sand sold. As a percentage of revenue, cost of revenue, exclusive of depreciation, depletion and accretion expense of \$7 million and \$11 million for the nine months ended September 30, 2020 and 2019, respectively, was 92% and 87% for the nine months ended September 30, 2020 and 2019, respectively. The increase in cost as a percentage of revenue is primarily due to a 52% decline in average price per ton of sand sold, partially offset by an increase in shortfall revenues.

Drilling Services. Drilling services division cost of revenue, exclusive of depreciation and amortization expense, decreased \$20 million, or 67%, from \$30 million for the nine months ended September 30, 2019 to \$10 million for the nine months ended September 30, 2020, as a result of reduced activity. In response to market conditions, we have temporarily shut down our contract land drilling operations beginning in December 2019 and our rig hauling operations beginning in April 2020. As a percentage of revenue, our drilling services division cost of revenue, exclusive of depreciation and amortization expense of \$8 million and \$10 million, for the nine months ended September 30, 2020 and 2019, respectively, was 134% and 108% for the nine months ended September 30, 2020 and 2019, respectively. The increase is primarily due to a decline in utilization.

Other Services. Other services division cost of revenue, exclusive of depreciation and amortization expense, decreased \$36 million, or 59%, from \$61 million for the nine months ended September 30, 2019 to \$25 million for the nine months ended September 30, 2020, primarily due to a decline in costs for our equipment rental, crude oil hauling and coil tubing businesses as a result of reduced activity. Additionally, due to market conditions, we have temporarily shut down our cementing and acidizing operations as well as our flowback operations beginning in July 2019 resulting in a decline in cost of revenue. These declines were partially offset by an increase in costs for infrastructure

engineering and oilfield equipment manufacturing businesses. As a percentage of revenue, cost of revenue, exclusive of depreciation and amortization expense of \$11 million and \$13 million for the nine months ended September 30, 2020 and 2019, respectively, was 97% and 102% for the nine months ended September 30, 2020 and 2019, respectively.

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, 2020	September 30, 2019
Cash expenses:		
Compensation and benefits	\$ 11,138	\$ 16,161
Professional services	15,335	12,827
Other ^(a)	6,572	8,290
Total cash SG&A expense	33,045	37,278
Non-cash expenses:		
Bad debt provision	2,306	1,230
Stock based compensation	1,326	2,705
Total non-cash SG&A expense	3,632	3,935
Total SG&A expense	\$ 36,677	\$ 41,213

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

Depreciation, Depletion, Amortization and Accretion. Depreciation, depletion, amortization and accretion decreased \$16 million to \$73 million for the nine months ended September 30, 2020 from \$89 million for the nine months ended September 30, 2019. The decrease is primarily attributable to a decline in property and equipment depreciation expense and sand mine depletion expense.

Impairment of Goodwill. As a result of market conditions, we performed an impairment assessment of our goodwill as of March 31, 2020. We determined that the carrying value of goodwill for certain of our entities exceeded their fair values, resulting in impairment expense of \$55 million. During the nine months ended September 30, 2019, we temporarily shut down our cementing and acidizing operations as well as our flowback operations. As a result, we recorded impairment expense of \$3 million on goodwill.

Impairment of Other Long-Lived Assets. During the nine months ended September 30, 2020, we recorded impairment of property and equipment, including water transfer, crude oil hauling, coil tubing and equipment rental assets, totaling \$13 million. During the nine months ended September 30, 2019, we temporarily shut down our cementing and acidizing operations as well as our flowback operations. As a result, we recorded impairment expense of \$3 million on fixed assets.

Operating Loss. We reported an operating loss of \$126 million for the nine months ended September 30, 2020 as compared to an operating loss of \$47 million for the nine months ended September 30, 2019. The increased operating loss was primarily due to a decline in operating income of \$28 million for our infrastructure services division due to a decline in activity as well as the recognition of \$68 million in impairment expense during the nine months ended September 30, 2020.

Interest Expense, Net. Interest expense, net increased \$1 million during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 primarily due to an increase in average borrowings outstanding as well as an increase in the average interest rate under our revolving credit facility.

Other Income, Net. Other income, net decreased \$9 million during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 primarily due to a decline in interest on trade account receivable. Pursuant to the terms of our contracts with PREPA and Gulfport, we recognized interest on trade accounts receivable totaling \$26 million and \$35 million during the nine months ended September 30, 2020 and 2019, respectively.

Income Taxes. We recorded income tax benefit of \$9 million on pre-tax losses of \$105 million for the nine months ended September 30, 2020 compared to income tax expense of \$3 million on pre-tax loss of \$16 million for the nine months ended September 30, 2019. Our effective tax rate was 9% for the nine months ended September 30, 2020 compared to (17%)

for the nine months ended September 30, 2019. During the nine months ended September 30, 2020, we recorded a benefit of \$2 million related to provisions in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted on March 27, 2020. Our effective tax rate was also impacted by permanent differences such as goodwill impairment. The decrease compared to the nine months ended September 30, 2019 is primarily due to the mix of earnings between the United States and Puerto Rico.

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 (loss) income before depreciation, depletion, amortization and accretion, impairment of goodwill, impairment of other long-lived assets, inventory obsolescence charges, acquisition related costs, stock based compensation, interest expense, net, other (income) expense, net (which is comprised of the (gain) or loss on disposal of long-lived assets and interest on trade accounts receivable) and (benefit) provision for income taxes, further adjusted to add back interest on trade accounts receivable. We exclude the items listed above from net (loss) income 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) income 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,		September 30,	
	2020	2019	2020	2019
Reconciliation of Adjusted EBITDA to net income (loss):				
Net income (loss)	\$ 3,430	\$ (35,709)	\$ (95,746)	\$ (18,265)
Depreciation, depletion, amortization and accretion expense	23,132	29,791	73,130	88,512
Impairment of goodwill	—	3,194	54,973	3,194
Impairment of other long-lived assets	—	3,348	12,897	3,348
Inventory obsolescence charges	—	1,349	—	1,349
Acquisition related costs	—	—	—	45
Stock based compensation	353	1,134	1,598	3,367
Interest expense, net	1,098	1,398	4,207	3,472
Other income, net	(9,042)	(6,368)	(25,721)	(34,944)
(Benefit) provision for income taxes	(6,193)	(7,794)	(8,979)	2,625
Interest on trade accounts receivable	9,285	5,896	26,052	34,865
Adjusted EBITDA	\$ 22,063	\$ (3,761)	\$ 42,411	\$ 87,568

Infrastructure Services

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Reconciliation of Adjusted EBITDA to net income (loss):				
Net income (loss)	\$ 6,738	\$ (10,763)	\$ (7,242)	\$ 31,113
Depreciation and amortization expense	7,589	7,953	23,339	23,490
Acquisition related costs	—	—	—	12
Stock based compensation	141	217	437	688
Interest expense	628	599	2,105	1,024
Other income, net	(9,204)	(6,239)	(24,289)	(35,108)
Provision for income taxes	1,645	1,477	5,085	6,670
Interest on trade accounts receivable	8,170	5,896	23,796	34,865
Adjusted EBITDA	\$ 15,707	\$ (860)	\$ 23,231	\$ 62,754

Pressure Pumping Services

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Reconciliation of Adjusted EBITDA to net income (loss):				
Net income (loss)	\$ 408	\$ (8,659)	\$ (52,149)	\$ (7,860)
Depreciation and amortization expense	7,196	10,176	23,373	30,244
Impairment of goodwill	—	—	53,406	—
Impairment of other long-lived assets	—	—	4,203	—
Acquisition related costs	—	—	—	18
Stock based compensation	77	503	465	1,402
Interest expense	269	316	907	965
Other (income) expense, net	(1,156)	(3)	(2,444)	5
Interest on trade accounts receivable	1,073	—	2,205	—
Adjusted EBITDA	\$ 7,867	\$ 2,333	\$ 29,966	\$ 24,774

Natural Sand Proppant Services

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Reconciliation of Adjusted EBITDA to net loss:				
Net loss	\$ (3,351)	\$ (5,990)	\$ (11,218)	\$ (3,222)
Depreciation, depletion, amortization and accretion expense	2,693	4,022	7,353	11,423
Acquisition related costs	—	—	—	8
Stock based compensation	76	216	347	656
Interest expense	54	43	167	145
Other expense, net	1,792	99	1,753	67
Interest on trade accounts receivable	26	—	26	—
Adjusted EBITDA	\$ 1,290	\$ (1,610)	\$ (1,572)	\$ 9,077

Drilling Services

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Reconciliation of Adjusted EBITDA to net loss:				
Net loss	\$ (3,530)	\$ (5,391)	\$ (13,730)	\$ (15,681)
Depreciation expense	2,323	3,096	7,900	9,866
Impairment of other long-lived assets	—	—	326	—
Acquisition related costs	—	—	—	2
Stock based compensation	38	90	166	279
Interest expense	60	220	473	679
Other expense (income), net	20	(100)	(251)	(122)
Adjusted EBITDA	\$ (1,089)	\$ (2,085)	\$ (5,116)	\$ (4,977)

Other Services^(a)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Reconciliation of Adjusted EBITDA to net income (loss):				
Net income (loss)	\$ 3,165	\$ (4,905)	\$ (11,407)	\$ (22,674)
Depreciation, amortization and accretion expense	3,331	4,544	11,165	13,489
Impairment of goodwill	—	3,194	1,567	3,194
Impairment of other long-lived assets	—	3,348	8,368	3,348
Inventory obsolescence charges	—	1,349	—	1,349
Acquisition related costs	—	—	—	5
Stock based compensation	21	107	183	341
Interest expense, net	87	220	555	659
Other (income) expense, net	(494)	(125)	(490)	214
Benefit for income taxes	(7,838)	(9,272)	(14,064)	(4,045)
Interest on trade accounts receivable	16	—	25	—
Adjusted EBITDA	\$ (1,712)	\$ (1,540)	\$ (4,098)	\$ (4,120)

a. Includes results for our coil tubing, pressure control, flowback, cementing, acidizing, equipment rentals, full service transportation, crude oil hauling, remote accommodations, oilfield equipment manufacturing and infrastructure engineering and design services and corporate related activities. Our corporate related activities do not generate revenue.

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

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	(in thousands, except per share amounts)			
Net income (loss), as reported	\$ 3,430	\$ (35,709)	\$ (95,746)	\$ (18,265)
Impairment of goodwill	—	3,194	54,973	3,194
Impairment of other long-lived assets	—	3,348	12,897	3,348
Adjusted net income (loss)	<u>\$ 3,430</u>	<u>\$ (29,167)</u>	<u>\$ (27,876)</u>	<u>\$ (11,723)</u>
Basic earnings (loss) per share, as reported	\$ 0.07	\$ (0.79)	\$ (2.10)	\$ (0.41)
Impairment of goodwill	—	0.07	1.21	0.07
Impairment of other long-lived assets	—	0.07	0.28	0.07
Adjusted basic earnings (loss) per share	<u>\$ 0.07</u>	<u>\$ (0.65)</u>	<u>\$ (0.61)</u>	<u>\$ (0.27)</u>
Diluted earnings (loss) per share, as reported	\$ 0.07	\$ (0.79)	\$ (2.10)	\$ (0.41)
Impairment of goodwill	—	0.07	1.21	0.07
Impairment of other long-lived assets	—	0.07	0.28	0.07
Adjusted diluted earnings (loss) per share	<u>\$ 0.07</u>	<u>\$ (0.65)</u>	<u>\$ (0.61)</u>	<u>\$ (0.27)</u>

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. 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, to acquire complementary businesses and to pay dividends to our stockholders. In July 2019, as a result of oilfield market conditions as well as other factors, which included collection delays from PREPA, our board of directors suspended the quarterly cash dividend. Future declaration of cash dividends are subject to approval by our board of directors and may be adjusted at its discretion based on market conditions and capital availability.

Liquidity

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

	September 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 13,884	\$ 5,872
Revolving credit facility availability	129,787	184,809
Less minimum excess availability covenant	(13,000)	—
Less long-term debt	(89,800)	(80,000)
Less letter of credit facilities (environmental remediation)	(4,477)	(4,182)
Less letter of credit facilities (insurance programs)	(4,105)	(4,105)
Less letter of credit facilities (rail car commitments)	(455)	(455)
Net working capital (less cash) ^(a)	321,535	270,711
Total	\$ 353,369	\$ 372,650

a. Net working capital (less cash) is a non-GAAP measure and is calculated by subtracting total current liabilities of \$111 million and cash and cash equivalents of \$14 million from total current assets of \$447 million as of September 30, 2020. As of December 31, 2019, net working capital (less cash) is calculated by subtracting total current liabilities of \$130 million and cash and cash equivalents of \$6 million from total current assets of \$407 million. Amounts include receivables due from PREPA and Gulfport of \$293 million and \$39 million, respectively, at September 30, 2020 and \$269 million and \$7 million, respectively, at December 31, 2019.

As of October 28, 2020, we had cash on hand of \$12 million and outstanding borrowings under our revolving credit facility of \$88 million, leaving an aggregate of \$28 million of available borrowing capacity under this facility, after giving effect to \$13 million of outstanding letters of credit and the expiration of the minimum excess availability covenant on September 30, 2020.

Continued prolonged volatility in the capital, financial and/or credit markets due to the COVID-19 pandemic, the depressed commodity markets 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 covenants under our revolving credit facility 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.

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,	
	2020	2019	2020	2019
Net cash (used in) provided by operating activities	\$ (5,051)	\$ 9,610	\$ 1,782	\$ (92,245)
Net cash provided by (used in) investing activities	791	(4,644)	(1,090)	(33,079)
Net cash provided by (used in) financing activities	41	(2,578)	7,377	67,247
Effect of foreign exchange rate on cash	80	(35)	(57)	50
Net change in cash	\$ (4,139)	\$ 2,353	\$ 8,012	\$ (58,027)

Operating Activities

Net cash used in operating activities was \$5 million for the three months ended September 30, 2020, compared to cash provided by operating activities of \$10 million for the three months ended September 30, 2019. Net cash provided by operating activities was \$2 million for the nine months ended September 30, 2020, compared to net cash used in operating activities of \$92 million for the nine months ended September 30, 2019. The increase in operating cash flows was primarily attributable to

the timing of cash inflows for accounts receivable and cash outflows for income tax payments during the nine months ended September 30, 2019.

Investing Activities

Net cash provided by investing activities was \$1 million for the three months ended September 30, 2020, compared to net cash used in investing activities of \$5 million for the three months ended September 30, 2019. Net cash used in investing activities was \$1 million for the nine months ended September 30, 2020, compared to \$33 million for the nine months ended September 30, 2019. Cash used in investing activities was primarily used to purchase property and equipment that is utilized to provide our services, which was partially offset by 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,	
	2020	2019	2020	2019
Infrastructure services ^(a)	\$ 178	\$ 122	\$ 298	\$ 5,553
Pressure pumping services ^(b)	698	2,963	3,752	14,305
Natural sand proppant services ^(c)	194	728	1,069	2,703
Drilling services ^(d)	131	146	211	3,073
Other ^(e)	324	711	619	9,256
Total capital expenditures	\$ 1,525	\$ 4,670	\$ 5,949	\$ 34,890

- Capital expenditures primarily for truck, tooling and other equipment for the three and nine months ended September 30, 2020 and 2019.
- Capital expenditures primarily for pressure pumping and water transfer equipment for the three and nine months ended September 30, 2020 and 2019.
- Capital expenditures primarily for maintenance for the three and nine months ended September 30, 2020 and 2019.
- Capital expenditures primarily for equipment for our upgrades to our rig fleet for the three and nine months ended September 30, 2019.
- Capital expenditures primarily for equipment for our rental business for the three and nine months ended September 30, 2020 and 2019.

Financing Activities

Net cash provided by financing activities was a nominal amount for the three months ended September 30, 2020, compared to net cash used in financing activities of \$3 million for the three months ended September 30, 2019. Net cash provided by financing activities for the three months ended September 30, 2020 was primarily attributable to net borrowings under our revolving credit facility of \$1 million. Net cash used in financing activities for three months ended September 30, 2019 was primarily attributable to net repayments under our revolving credit facility of \$2 million.

Net cash provided by financing activities was \$7 million for the nine months ended September 30, 2020, compared to \$67 million for the nine months ended September 30, 2019. Net cash provided by financing activities for the nine months ended September 30, 2020 was primarily attributable to net borrowings under our revolving credit facility of \$10 million, which was partially offset by debt issuance costs of \$1 million. Net cash provided by financing activities for nine months ended September 30, 2019 was primarily attributable to borrowings under our revolving credit facility of \$80 million, which was partially offset by \$11 million in dividends paid.

Effect of Foreign Exchange Rate on Cash

The effect of foreign exchange rate on cash was (\$0.1) million and \$0.05 million, respectively, for the nine months ended September 30, 2020 and 2019. 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 \$335 million and \$277 million, respectively, at September 30, 2020 and December 31, 2019. Our cash balances were \$14 million and \$6 million, respectively, at September 30, 2020 and December 31, 2019.

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, 2020, we had outstanding borrowings under our revolving credit facility of \$90 million and \$18 million of available borrowing capacity under this facility. This available borrowing capacity reflects (i) a minimum excess availability covenant of 10% of the maximum revolving advance amount and (ii) \$9 million of outstanding letters of credit. As of September 30, 2020 and December 31, 2019, we were in compliance with the covenants under our revolving credit facility. For additional information regarding our revolving credit facility, see Note 9. Debt to our unaudited condensed consolidated financial statements included elsewhere in this report.

Capital Requirements and Sources of Liquidity

We estimate that during 2020 our aggregate capital expenditures will be up to \$10 million, depending upon industry conditions and our financial results. These capital expenditures include \$5 million in our pressure pumping segment for conversion of a portion of our fleet to include dynamic gas blending capabilities, maintenance to our existing pressure pumping fleet and additional water transfer equipment, \$3 million in our infrastructure segment for assets for additional crews and \$2 million for our other divisions, primarily for additional equipment for our rental business. During the nine months ended September 30, 2020, our capital expenditures totaled \$6 million.

We believe that our cash on hand, operating cash flow and available borrowings under our credit facility will be sufficient to fund our operations for at least the next twelve months. However, future cash flows are subject to a number of variables (including receipt of payments from our customers, including PREPA and Gulfport). Further, significant additional capital expenditures could be required to conduct our operations. Accordingly, there can be no assurance that operations and other capital resources, including potential sales of assets or businesses, will provide cash in sufficient amounts to meet our operating needs and/or maintain planned or future levels of capital expenditures. In addition, while we regularly evaluate acquisition opportunities, we do not have a specific acquisition budget for 2020 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 that or other reasons, we may do so through borrowings under our revolving credit facility, joint venture partnerships, sale-leaseback transactions, asset sales, offerings of debt or equity securities or other means. We cannot assure you that this additional capital will be available on acceptable terms or at all. If we are unable to obtain funds we need, our ability to conduct operations, make capital expenditures and/or complete acquisitions that may be favorable to us will be impaired.

Off-Balance Sheet Arrangements

Minimum Purchase Commitments

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

Capital Spend Commitments

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

Aggregate future minimum lease payments under these agreements in effect at September 30, 2020 are as follows (in thousands):

Year ended December 31:	Capital Spend Commitments	Minimum Purchase Commitments^(a)
Remainder of 2020	\$ 3,175	\$ 4,307
2021	—	1,129
2022	—	98
2023	—	8
2024	—	—
Thereafter	—	—
	<u>\$ 3,175</u>	<u>\$ 5,542</u>

- a. Included in these amounts are sand purchase commitments of \$4 million. Pricing for certain sand purchase agreements is variable and, therefore, the total sand purchase commitments could be as much as \$5 million.

New Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) No. 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,” which amends current guidance on reporting credit losses on financial instruments. This ASU requires entities to reflect its current estimate of all expected credit losses. The guidance affects most financial assets, including trade accounts receivable. This ASU is effective for fiscal years beginning after December 31, 2019, with early adoption permitted. We adopted this standard effective January 1, 2020. It did not have a material impact on our consolidated financial statements.

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 for the first time in history due to factors including significantly reduced demand and a shortage of storage facilities. As a result of the oversupply, OPEC members and other oil exporting nations reached an agreement to curtail up to 10% of the world's supply and certain U.S. producers voluntarily curtailed production. These actions helped to reduce a portion of the excess supply in the market and improve oil prices. In the third quarter of 2020, many U.S. producers resumed completion activities to stem production declines and stabilize their production base as demand for crude oil rebounded but continued to be soft. Commodity prices are expected to continue to be weak and volatile as a result of production levels, inventories and demand, and national and international economic performance. We cannot predict if, or when, commodity prices will stabilize and at what price points or global inventories return to normalized levels. The COVID-19 pandemic, the broad reduction in economic activity, the current conditions in the energy industry and the adverse macroeconomic conditions have also had an adverse effect on both pricing and utilization for our oilfield services.

The levels of activity in the U.S. oil and natural gas exploration and production, energy infrastructure and natural sand proppant industries have been and continue to be volatile. We are unable to predict the ultimate impact of the ongoing COVID-19 pandemic, the depressed commodity markets, the reduced demand for oil and oilfield services and adverse 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 \$14 million at September 30, 2020. We do not enter into investments for trading or speculative purposes. We do not believe that we have any material exposure to changes in the fair value of these investments as a result of changes in interest rates. Declines in interest rates, however, will reduce future income.

Interest under our credit facility is payable at a base rate plus an applicable margin. Additionally, at our request, outstanding balances are permitted to be converted to LIBOR rate plus applicable margin tranches. The applicable margin for either the base rate or the LIBOR rate option can vary from 2.0% to 3.5%, based upon a calculation of the excess availability of the line as a percentage of the maximum credit limit. At September 30, 2020, we had outstanding borrowings under our revolving credit facility of \$90 million with a weighted average interest rate of 3.7%. A 1% increase or decrease in the interest rate at that time would have increased or decreased our interest expense by approximately \$1 million per year. We do not currently hedge our interest rate exposure.

Foreign Currency Risk

Our remote accommodation business, which is included in our other services division, generates revenue and incurs expenses that are denominated in the Canadian dollar. These transactions could be materially affected by currency fluctuations. Changes in currency exchange rates could adversely affect our consolidated results of operations or financial position. We also maintain cash balances denominated in the Canadian dollar. At September 30, 2020, we had \$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 \$0.05 million as of September 30, 2020. 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 ongoing COVID-19 pandemic, the depressed commodity price environment, the reduced demand for oil and oilfield services and adverse macroeconomic conditions. 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 completion and production services as well as contract land and drilling services primarily in the Utica, Permian Basin, Eagle Ford, Marcellus, Granite Wash, Cana Woodford and Cleveland sand resource plays located in the continental U.S. We provide infrastructure services primarily in the northeast, southwest and midwest portions of the United States. We provide remote accommodation services in the oil sands in Alberta, Canada. We serve these markets through our facilities and service centers that are strategically located to serve our customers in Ohio, Texas, Oklahoma, Wisconsin, Minnesota, Kentucky and Alberta, Canada. A portion of our revenues are generated in Ohio, Wisconsin, Minnesota, North Dakota, Pennsylvania, West Virginia and Canada where weather conditions may be severe. As a result, our operations may be limited or disrupted, particularly during winter and spring months, in these geographic regions, which would have a material adverse effect on our financial condition and results of operations. Our operations in Oklahoma and Texas are generally not affected by seasonal weather conditions.

Item 4. Controls and Procedures

Evaluation of Disclosure Control and Procedures

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

As of September 30, 2020, 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, 2020, 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, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Due to the nature of our business, we are, from time to time, involved in litigation or subject to disputes or claims related to our business activities, including breaches of contractual obligations, workers' compensation claims and employment related disputes. In the opinion of our management, none of the pending litigation, disputes or claims against us is expected to have a material adverse effect on our financial condition, cash flows or results of operations, except as disclosed in Note 18 "Commitments and Contingencies," of the Notes to Unaudited Condensed Consolidated Financial Statements.

Item 1A. Risk Factors

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 2, 2020 and our Quarterly Report on Form 10-Q filed with the SEC on May 11, 2020. Depending on the duration of the COVID-19 pandemic and its severity and related economic repercussions, however, the negative impact of many of the risks discussed in such reports may be heightened or exacerbated. 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—Impact of the Ongoing COVID-19 Pandemic and Volatility in Commodity Prices" and "—Industry Overview."

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		
3.1	Amended and Restated Certificate of Incorporation of the Company	8-K	001-37917	11/15/2016		
3.2	Amended and Restated Bylaws of the Company	8-K	001-37917	11/15/2016		
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		
4.2	Registration Rights Agreement, dated October 12, 2016, by and between the Company and Mammoth Energy Holdings, LLC	8-K	001-37917	11/15/2016		
4.3	Investor Rights Agreement, dated October 12, 2016, by and between the Company and Gulfport Energy Corporation	8-K	001-37917	11/15/2016		
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

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.

By: **MAMMOTH ENERGY SERVICES, INC.**

/s/ Arty Straehla

Arty Straehla

Chief Executive Officer

October 30, 2020

CERTIFICATIONS

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

1. I have reviewed this Quarterly Report on Form 10-Q of Mammoth Energy Services, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

MAMMOTH ENERGY SERVICES, INC.

By: /s/ Mark Layton

Mark Layton

Chief Financial Officer

October 30, 2020

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

In connection with the Quarterly Report on Form 10-Q of Mammoth Energy Services, Inc. (the "Company") for the quarterly period ended September 30, 2020 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 30, 2020

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

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

In connection with the Quarterly Report on Form 10-Q of Mammoth Energy Services, Inc. (the "Company") for the quarterly period ended September 30, 2020 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 30, 2020

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, 2020:

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	—	—	—	—	—	\$ —	—

- The definition of mine under section 3 of the Mine Act includes the mine, as well as other items used in, or to be used in, or resulting from, the work of extracting minerals, such as land, structures, facilities, equipment, machines, tools and minerals preparation facilities. Unless otherwise indicated, any of these other items associated with a single mine have been aggregated in the totals for that mine. MSHA assigns an identification number to each mine and may or may not assign separate identification numbers to related facilities such as preparation facilities. We are providing the information in the table by mine rather than MSHA identification number because that is how we manage and operate our mining business and we believe this presentation will be more useful to investors than providing information based on MSHA identification numbers.
- Represents the total dollar value of proposed assessments from MSHA under the Mine Act relating to any type of citation or order issued during the quarter ended September 30, 2020.

Pattern or Potential Pattern of Violations. During the quarter ended September 30, 2020, 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, 2020. 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.