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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**FORM 10-Q**

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

**For the quarterly period ended June 30, 2017**

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission File Number: 001-38035**

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**ProPetro Holding Corp.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**26-3685382**  
(I.R.S. Employer  
Identification No.)

**1706 South Midkiff, Bldg. B**  
**Midland, Texas 79701**  
(Address of principal executive offices)

**(432) 688-0012**  
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for 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

The number of the registrant's common shares, par value \$0.001 per share, outstanding at August 4, 2017, was 83,039,854

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**PROPETRO HOLDING CORP. AND SUBSIDIARY**

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**PART I – FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

**PROPETRO HOLDING CORP. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share data)  
(Unaudited)

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 25,108	\$ 133,596
Accounts receivable - net of allowance for doubtful accounts of \$512 and \$552, respectively	147,820	115,179
Inventories	4,819	4,713
Prepaid expenses	6,933	4,608
Other current assets	3,689	6,684
Total current assets	188,369	264,780
PROPERTY AND EQUIPMENT - Net of accumulated depreciation	360,308	263,862
OTHER NONCURRENT ASSETS:		
Goodwill	9,425	9,425
Intangible assets - net of amortization	445	589
Deferred revenue rebate - net of amortization	1,539	2,462
Other noncurrent assets	1,830	304
Total other noncurrent assets	13,239	12,780
TOTAL ASSETS	\$ 561,916	\$ 541,422
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 155,956	\$ 129,093
Accrued liabilities	8,335	13,619
Current portion of long-term debt	6,337	16,920
Accrued interest payable	—	109
Total current liabilities	170,628	159,741
DEFERRED INCOME TAXES	1,259	1,148
LONG-TERM DEBT	10,210	159,407
OTHER LONG-TERM LIABILITIES	122	117
Total liabilities	182,219	320,413
COMMITMENTS AND CONTINGENCIES (Note 9)		
SHAREHOLDERS' EQUITY:		
Preferred stock, \$0.001 par value, 30,000,000 shares authorized, 0 and 16,999,990 shares issued, respectively	—	17
Preferred stock, additional paid-in capital	—	162,494
Common stock, \$0.001 par value, 200,000,000 shares authorized, 83,039,854 and 52,627,652 shares issued, respectively	83	53
Additional paid-in capital	605,955	265,355
Accumulated deficit	(226,341)	(206,910)
Total shareholders' equity	379,697	221,009
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 561,916	\$ 541,422

*See accompanying notes to condensed consolidated financial statements*

**PROPETRO HOLDING CORP. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share data)  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
REVENUE - Service revenue	\$ 213,492	\$ 68,165	\$ 385,423	\$ 156,095
COSTS AND EXPENSES				
Cost of services (exclusive of depreciation and amortization)	176,777	64,849	326,342	145,139
General and administrative (inclusive of stock-based compensation)	7,916	5,536	27,776	11,340
Depreciation and amortization	12,706	10,794	23,857	21,879
Loss on disposal of assets	9,787	2,169	20,229	6,936
Total costs and expenses	207,186	83,348	398,204	185,294
OPERATING INCOME (LOSS)	6,306	(15,183)	(12,781)	(29,199)
OTHER INCOME (EXPENSE):				
Interest expense	(650)	(5,977)	(5,825)	(11,392)
Gain on extinguishment of debt	—	6,975	—	6,975
Other expense	(627)	(14)	(602)	(312)
Total other income (expense)	(1,277)	984	(6,427)	(4,729)
INCOME (LOSS) BEFORE INCOME TAXES	5,029	(14,199)	(19,208)	(33,928)
INCOME TAX (EXPENSE)/BENEFIT	(108)	4,905	(223)	11,697
NET INCOME (LOSS)	\$ 4,921	\$ (9,294)	\$ (19,431)	\$ (22,231)
NET INCOME (LOSS) PER COMMON SHARE:				
Basic	\$ 0.06	\$ (0.24)	\$ (0.28)	\$ (0.60)
Diluted	\$ 0.06	\$ (0.24)	\$ (0.28)	\$ (0.60)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic	83,040	39,496	69,593	37,244
Diluted	86,279	39,496	69,593	37,244

*See accompanying notes to condensed consolidated financial statements*

**PROPETRO HOLDING CORP. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
(In thousands)  
(Unaudited)

	Preferred Stock			Common Stock			Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount	Preferred Additional Paid-In Capital	Shares	Amount				
BALANCE - January 1, 2017	17,000	\$ 17	\$ 162,494	52,628	\$ 53	\$ 265,355	\$ (206,910)	\$ 221,009	
Stock-based compensation cost	—	—	—	—	—	7,978	—	7,978	
Initial Public Offering, net of costs	—	—	—	13,250	13	170,128	—	170,141	
Conversion of preferred stock to common at Initial Public Offering	(17,000)	(17)	(162,494)	17,000	17	162,494	—	—	
Exercise of stock options—net	—	—	—	162	—	—	—	—	
Net loss	—	—	—	—	—	—	(19,431)	(19,431)	
BALANCE - June 30, 2017	—	\$ —	\$ —	83,040	\$ 83	\$ 605,955	\$ (226,341)	\$ 379,697	

*See accompanying notes to condensed consolidated financial statements*

**PROPETRO HOLDING CORP. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

	Six Months Ended June 30,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (19,431)	\$ (22,231)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	23,857	21,879
Gain on extinguishment	—	(6,975)
Deferred income tax expense (benefit)	111	(11,700)
Amortization of deferred revenue rebate	923	923
Amortization of deferred debt issuance costs	3,240	1,468
Stock-based compensation	7,978	619
Loss on disposal of assets	20,229	6,936
(Gain) loss on interest rate swap	(199)	96
Changes in operating assets and liabilities:		
Accounts receivable	(32,641)	43,961
Other current assets	3,423	(445)
Inventories	(107)	3,421
Prepaid expenses	(2,321)	2,360
Accounts payable	(2,812)	(39,247)
Accrued liabilities	(2,605)	988
Accrued interest	(108)	10
Net cash (used in) provided by operating activities	(463)	2,063
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(112,630)	(15,461)
Proceeds from sale of assets	1,229	410
Net cash used in investing activities	(111,401)	(15,051)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from borrowings	232	—
Repayments of borrowings	(163,128)	(38,074)
Repayments of insurance financing	(2,476)	(2,426)
Debt extinguishment cost	—	(525)
Payment of debt issuance costs	(1,653)	(115)
Equity capitalization	—	40,000
Proceeds from IPO	185,500	—
Payment of IPO costs	(15,099)	—
Net cash provided by (used in) financing activities	3,376	(1,140)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(108,488)</b>	<b>(14,128)</b>
CASH AND CASH EQUIVALENTS - Beginning of period	133,596	34,310
CASH AND CASH EQUIVALENTS - End of period	\$ 25,108	\$ 20,182

*See accompanying notes to condensed consolidated financial statements*

**PROPETRO HOLDING CORP. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**Note 1 - Basis of Presentation**

The accompanying condensed consolidated financial statements of ProPetro Holding Corp. and its subsidiary (the "Company," "we," "us" or "our") have been prepared in accordance with the requirements of the U.S. Securities and Exchange Commission ("SEC") for interim financial information and do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America ("GAAP") for annual financial statements. Those adjustments (which consisted of normal recurring accruals) that are, in the opinion of management, necessary for a fair presentation of the results of the interim periods have been made. Results of operations for such interim periods are not necessarily indicative of the results of operations for a full year due to changes in market conditions and other factors. The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2016 included in the final prospectus of the Company filed with the SEC pursuant to rule 424(b) under the Securities Act of 1933 on March 20, 2017 ("Prospectus").

**Initial Public Offering**

On March 22, 2017, we consummated our initial public offering ("IPO"), in which 25,000,000 shares of our common stock, par value \$0.001 per share, were sold at a public offering price of \$14.00 per share, with 13,250,000 shares issued and sold by the Company and 11,750,000 shares sold by existing stockholders. We received net proceeds of approximately \$170.1 million after deducting \$10.9 million of underwriting discounts and commissions, and \$4.5 million of other offering expenses. Upon closing of the IPO, we used the proceeds (i) to repay \$71.8 million in outstanding borrowings under our Term Loan (as defined in Note 4), (ii) to fund the purchase of additional hydraulic fracturing fleets and ancillary equipment, and (iii) for general corporate purposes.

In connection with the IPO, the Company executed a stock split, such that each holder of common stock of the Company received 1.45 shares of common stock for every one share of previous common stock. Accordingly, any information related to, or dependent upon, the share or option counts in our comparative 2016 condensed consolidated financial statements (Unaudited) and Note 6, *Net Income (Loss) per Share*, Note 7, *Stock-Based Compensation*, and Note 10, *Equity Capitalization*, have been updated to reflect the effect of the stock split.

**Note 2 - Recently Issued Accounting Standards**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 requires entities to recognize revenue to depict transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU No. 2014-09 requires entities to disclose both qualitative and quantitative information that enables users of the consolidated financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including disclosure of significant judgments affecting the recognition of revenue. ASU No. 2014-09 was originally effective for annual periods beginning after December 15, 2016, using either the retrospective or cumulative effect transition method. On August 12, 2015, the FASB issued ASU No. 2015-14, which defers the effective date of the revenue standard, ASU No. 2014-09, by one year for all entities and permits early adoption on a limited basis. Per our preliminary evaluation, we believe that the adoption of this guidance will not materially affect our revenue recognition. However, we will continue to evaluate and quantify the effect of the adoption of this guidance on our consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory*, which requires entities to measure most inventory "at the lower of cost and net realizable value," thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost or market. ASU No. 2015-11 does not apply to inventories that are measured by using either the last-in, first-out method or the retail inventory method. The amendments in ASU No. 2015-11 are effective for fiscal years beginning after December 15, 2016. The ASU became effective for us in 2017 and the adoption of this guidance did not materially affect our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, a new standard on accounting for leases. The ASU introduces a lessee model that brings most leases on the balance sheet. The new standard also aligns many of the underlying principles of the new lessor model with those in the current accounting guidance as well as the FASB's new revenue recognition standard. However, the ASU eliminates the use of bright-line tests in determining lease classification as required in the current guidance. The ASU also requires additional qualitative disclosures along with specific quantitative disclosures to better enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

**PROPETRO HOLDING CORP. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**Note 2 - Recently Issued Accounting Standards (Continued)**

The new standard is effective for annual reporting periods beginning after December 15, 2018, including periods within that reporting period, using a modified retrospective approach. Early adoption is permitted. We have not completed an evaluation of the impact the pronouncement will have on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation- Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which modifies several aspects of the accounting for share-based payment transactions including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The new standard is effective for fiscal years and interim periods beginning after December 15, 2016, with early adoption permitted. The ASU became effective for us in 2017 and the adoption of this guidance did not materially affect our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*, which removes the requirement to compare the implied fair value of goodwill with its carrying amount as part of step two of the goodwill impairment test. As a result, under this ASU, an entity would recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. This pronouncement is effective for impairment tests in fiscal years beginning after December 15, 2019, on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We believe that the adoption of this guidance will not materially affect our consolidated financial statements.

**Note 3 - Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches and establishes a hierarchy for inputs used in measuring fair value that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used, when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions other market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 — Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these instruments does not entail a significant degree of judgment.

Level 2 — Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

*Assets and Liabilities Measured at Fair Value on a Recurring Basis*

Our financial instruments include cash and cash equivalents, accounts receivable, accounts payable, and a derivative financial instrument. The estimated fair value of our financial instruments — cash and cash equivalents, accounts receivable and accounts payable at June 30, 2017 and December 31, 2016 approximates their carrying value as reflected in our condensed consolidated balance sheets due to their short-term nature. We use a derivative financial instrument, an interest rate swap, to manage interest rate risk. Our policies do not permit the use of derivative financial instruments for speculative purposes. We did not designate the interest rate swap as a hedge for accounting purposes. We record all derivatives as of the end of our reporting period in our condensed consolidated balance sheet at fair value, which is based on quoted market prices, a Level 1 input. We may be exposed to credit losses in the event of nonperformance by counterparties to the interest rate swap. The counterparty of the interest rate swap is a credible, large institution, and we do not believe there is significant or material credit risk upon settlement of the contract. The fair value of the interest rate swap liability at June 30, 2017 and December 31, 2016 was \$0.1



**PROPETRO HOLDING CORP. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**Note 3 - Fair Value Measurement (Continued)**

million and \$0.3 million, respectively. Based on quoted market prices as of June 30, 2017 and 2016, for contracts with similar terms and maturity date, as provided by the counterparty, we recorded a gain of \$0.2 million and a loss of \$0.1 million during the six months ended June 30, 2017 and 2016, respectively.

*Assets Measured at Fair Value on a Nonrecurring Basis*

Assets measured at fair value on a nonrecurring basis at June 30, 2017 and December 31, 2016, respectively, are set forth below:

	Balance	Estimated fair value measurements			Total gains (losses)
		Quoted prices in active market (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)	
(\$ in thousands)					
June 30, 2017:					
Property and equipment, net	\$ —	\$ —	\$ —	\$ —	\$ —
Goodwill	\$ —	\$ —	\$ —	\$ —	\$ —
December 31, 2016:					
Property and equipment, net	\$ 8,700	\$ —	\$ 8,700	\$ —	\$ (6,305)
Goodwill	\$ 9,425	\$ —	\$ —	\$ 9,425	\$ (1,177)

No impairment of property and equipment was recorded during the six months ended June 30, 2017 or 2016. During fourth quarter of 2016, the depressed cash flows and continued decline in utilization of our Permian drilling assets were indicative of potential impairment, resulting in the Company comparing the carrying value of the Permian drilling assets with its estimated fair value. We determined that the carrying value of the Permian drilling assets was greater than its estimated fair value, and as such, an impairment expense was recorded in the fourth quarter of 2016. The non-cash asset impairment charges recorded in the fourth quarter of 2016 for Permian drilling was \$6.3 million, which had a then net carrying value of \$15.0 million prior to the impairment write-down.

We generally apply fair value techniques to our reporting units on a nonrecurring basis associated with valuing potential impairment loss related to goodwill. Our estimate of the reporting unit fair value is based on a combination of income and market approaches, Level 1 and 3, respectively, in the fair value hierarchy. The income approach involves the use of a discounted cash flow method, with the cash flow projections discounted at an appropriate discount rate. The market approach involves the use of comparable public companies market multiples in estimating the fair value. Significant assumptions include projected revenue growth, capital expenditures, utilization, gross margins, discount rates, terminal growth rates, and weight allocation between income and market approaches. If the reporting unit's carrying amount exceeds its fair value, we consider goodwill impaired, and the impairment loss is calculated and recorded. There were no additions to, or disposal of, goodwill during the six months ended June 30, 2017 and 2016. At December 31, 2016, we estimated the fair value of the surface drilling reporting unit to be \$3.8 million and its carrying value was \$4.2 million. As a result of the potential impairment due to the carrying value exceeding the estimated fair value, we then further determined the implied fair value of the \$1.2 million goodwill for the surface drilling reporting unit to be \$0. Accordingly, we recorded an impairment loss of \$1.2 million during the fourth quarter of 2016.

**PROPETRO HOLDING CORP. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**Note 4 - Long-Term Debt**

*2013 Term Loan and Revolving Credit Facility*

On September 30, 2013, we entered into a term loan in the amount of \$220 million ("Term Loan") with a \$40 million revolving credit line ("Revolving Credit Facility"). Borrowings under the Term Loan and Revolving Credit Facility accrued interest at LIBOR plus 6.25%, subject to a 1% LIBOR floor, and were secured by a first priority lien and security interest in all assets of the Company. Proceeds from the Term Loan were used to pay off 100% of our debt outstanding, including accrued interest, at September 30, 2013, with excess proceeds from the Term Loan and the Revolving Credit Facility used to fund growth and working capital needs. The Term Loan and Revolving Credit Facility were scheduled to mature on September 30, 2019 and September 30, 2018, respectively, with quarterly and monthly payments of principal and interest, respectively.

Under the Term Loan and Revolving Credit Facility we were required to comply, subject to certain exceptions and materiality qualifiers, with certain customary affirmative and negative covenants, including, but not limited to, covenants pertaining to reporting, insurance, collateral maintenance, change of control, transactions with affiliates, distributions, and limitations on additional indebtedness. In addition, the Term Loan and Revolving Credit Facility included a maximum leverage ratio of 3.5x EBITDA (earnings before interest, taxes, depreciation, and amortization) to total debt, which became effective March 31, 2014.

In 2015, given the then near-term economic uncertainty and volatility of commodity prices, we determined that we were likely to be out of compliance with the leverage ratio covenant under the Term Loan and Revolving Credit Facility at the March 31, 2016 test date. Accordingly, the Company and its equity sponsor, Energy Capital Partners ("ECP"), commenced negotiations with the lenders to amend the covenants and leverage ratio in the Term Loan and Revolving Credit Facility. The resulting amendment and waiver agreement was executed on June 8, 2016. Under the terms of the amendment, ECP infused \$40 million of additional equity into the Company, \$10 million of which was reserved for working capital, with up to \$30 million available to repurchase debt. A minority shareholder also infused \$0.425 million alongside ECP to prevent dilution. The amendment and waiver also suspended the leverage ratio test until June 30, 2017, and provided us with 30 days to deliver any past-due financial statements.

*Gain on Extinguishment of Debt* — in connection with the amendment to the Term Loan and Revolving Credit Facility, we initiated an auction process with the lenders to repurchase a portion of debt for a price of 80 cents, at a 20% discount to par value. The auction settled on June 16, 2016 as the Company repurchased a total amount of \$37.5 million of debt for \$30 million plus \$0.525 million in debt extinguishment auction costs, leading to a gain on extinguishment of debt of \$6.975 million.

On January 13, 2017, we repaid \$75 million of the outstanding balance under the Term Loan and repaid the remaining balance of \$13.5 million under the Revolving Credit Facility using a portion of the proceeds from the private placement offering. On March 22, 2017, we retired the \$71.8 million remaining balance of the Term Loan, along with accrued interest, using a portion of the proceeds from our IPO. Each of the Term Loan and Revolving Credit Facility were terminated in accordance with their terms upon the repayment of outstanding borrowings.

*Equipment and Manufacturing Notes*

On November 24, 2015, we entered into 36-month financing arrangement for three hydraulic fracturing fleets in the amount of \$25 million, and a portion of the proceeds were used to pay off the previous manufacturer notes, with the remainder being used for additional liquidity.

On June 30, 2017, we entered into a financing arrangement for the purchase of light vehicles. As of June 30, 2017, we purchased certain light vehicles under this financing arrangement in the amount of \$0.2 million.

**PROPETRO HOLDING CORP. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**Note 4 - Long-Term Debt (Continued)**

*ABL Credit Facility*

On March 22, 2017, we entered into a new revolving credit facility with a \$150 million borrowing capacity ("ABL Credit Facility"). Borrowings under the ABL Credit Facility accrue interest based on a three-tier pricing grid tied to availability, and we may elect for loans to be based on either LIBOR or base rate, plus the applicable margin, which ranges from 1.75% to 2.25% for LIBOR loans and 0.75% to 1.25% for base rate loans, with no LIBOR floor. Borrowings under the ABL Credit Facility are secured by a first priority lien and security interest in substantially all assets of the Company. The ABL Credit Facility has a tenor of 5 years and a borrowing base of 85% of eligible accounts receivable less customary reserves. Under this facility we are required to comply, subject to certain exceptions and materiality qualifiers, with certain customary affirmative and negative covenants, including, but not limited to, covenants pertaining to our ability to incur liens, indebtedness, changes in the nature of our business, mergers and other fundamental changes, disposal of assets, investments and restricted payments, amendments to our organizational documents or accounting policies, prepayments of certain debt, dividends, transactions with affiliates, and certain other activities. In addition, the ABL Credit Facility includes a Springing Fixed Charge Coverage Ratio of 1.0x when excess availability is less than the greater of (i) 10% of the lesser of the facility size and the Borrowing Base and (ii) \$12 million. The ABL has a commitment fee of 0.375%, which reduces to 0.25% if utilization is greater than 50% of the borrowing base.

Total debt consisted of the following at June 30, 2017 and December 31, 2016, respectively:

(\$ in thousands)	2017	2016
ABL Credit Facility	\$ —	\$ —
6.25% "Term loan" due September 2019	—	146,750
Revolving Credit Facility	—	13,500
Equipment financing	16,547	19,193
<b>Total debt</b>	<b>16,547</b>	<b>179,443</b>
Less deferred loan costs, net of amortization	—	3,116
<b>Subtotal</b>	<b>16,547</b>	<b>176,327</b>
Less current portion of long-term debt	6,337	16,920
<b>Total long-term debt, net of deferred loan costs</b>	<b>\$ 10,210</b>	<b>\$ 159,407</b>

As of June 30, 2017, the ABL Credit Facility was undrawn. The loan origination costs relating to the ABL Credit Facility are classified as an asset in the balance sheet.

**Annual Maturities** — Scheduled remaining annual maturities of total debt are as follows at June 30, 2017:

(\$ in thousands)	
2017	\$ 3,081
2018	13,350
2019	77
2020	39
<b>Total</b>	<b>\$ 16,547</b>

**Note 5 - Reportable Segment Information**

The Company has seven operating segments for which discreet financial information is readily available: hydraulic fracturing, cementing, acidizing, coil tubing, flowback, surface drilling, and Permian drilling. These segments represent how the Chief Operating Decision Maker (CODM) evaluates performance and allocates resources.

In accordance with Accounting Standards Codification (ASC) 280—*Segment Reporting*, the Company has one reportable segment (pressure pumping) comprised of the hydraulic fracturing, cementing, and acidizing operating segments. All other operating segments and corporate administrative expenses are included in the "all other" category in the table below. Inter-segment revenues are not material and are not shown separately in the table below.

The Company manages and assesses the performance of the reportable segment by its adjusted EBITDA (earnings before other income (expense), interest, taxes, depreciation & amortization, stock-based compensation expense, impairment

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**Note 5- Reportable Segment Information (Continued)**

expense, (gain)/loss on disposal of assets, gain on extinguishment of debt and other unusual or nonrecurring expenses or income). A reconciliation from segment level financial information to the consolidated statement of operations is provided in the table below.

(\$ in thousands)	Three months ended June 30, 2017			Six months ended June 30, 2017		
	Pressure Pumping	All Other	Total	Pressure Pumping	All Other	Total
Service revenue	\$ 203,591	\$ 9,901	\$ 213,492	\$ 367,431	\$ 17,992	\$ 385,423
Adjusted EBITDA	\$ 31,362	\$ (706)	\$ 30,656	\$ 48,283	\$ (1,399)	\$ 46,884
Depreciation and amortization	\$ 11,596	\$ 1,110	\$ 12,706	\$ 21,591	\$ 2,266	\$ 23,857
Goodwill	\$ 9,425	\$ —	\$ 9,425	\$ 9,425	\$ —	\$ 9,425
Capital expenditures	\$ 86,302	\$ 1,047	\$ 87,349	\$ 141,345	\$ 2,466	\$ 143,811
Total assets	\$ 527,648	\$ 34,268	\$ 561,916	\$ 527,648	\$ 34,268	\$ 561,916

  

(\$ in thousands)	Three months ended June 30, 2016			Six months ended June 30, 2016		
	Pressure Pumping	All Other	Total	Pressure Pumping	All Other	Total
Service revenue	\$ 62,167	\$ 5,998	\$ 68,165	\$ 141,712	\$ 14,383	\$ 156,095
Adjusted EBITDA	\$ 529	\$ (2,336)	\$ (1,807)	\$ 3,549	\$ (3,314)	\$ 235
Depreciation and amortization	\$ 9,222	\$ 1,572	\$ 10,794	\$ 18,631	\$ 3,248	\$ 21,879
Goodwill	\$ 9,425	\$ 1,177	\$ 10,602	\$ 9,425	\$ 1,177	\$ 10,602
Capital expenditures	\$ 3,452	\$ 105	\$ 3,557	\$ 9,942	\$ 110	\$ 10,052
Total assets at December 31, 2016	\$ 501,906	\$ 39,516	\$ 541,422	\$ 501,906	\$ 39,516	\$ 541,422

Reconciliation of net income (loss) to adjusted EBITDA:

(\$ in thousands)	Three months ended June 30, 2017			Six months ended June 30, 2017		
	Pressure Pumping	All Other	Total	Pressure Pumping	All Other	Total
Net income (loss)	\$ 9,633	\$ (4,712)	\$ 4,921	\$ 1,715	\$ (21,146)	\$ (19,431)
Depreciation and amortization	11,596	1,110	12,706	21,591	2,266	23,857
Interest expense	—	650	650	—	5,825	5,825
Income tax expense	—	108	108	—	223	223
Loss/(gain) on disposal of assets	9,681	106	9,787	20,391	(162)	20,229
Stock-based compensation	—	609	609	—	7,978	7,978
Other expense	—	627	627	—	602	602
Other general and administrative expense <sup>(1)</sup>	—	572	572	—	572	572
Deferred IPO bonus expense	452	224	676	4,586	2,443	7,029
Adjusted EBITDA	\$ 31,362	\$ (706)	\$ 30,656	\$ 48,283	\$ (1,399)	\$ 46,884

  

(\$ in thousands)	Three months ended June 30, 2016			Six months ended June 30, 2016		
	Pressure Pumping	All Other	Total	Pressure Pumping	All Other	Total
Net income (loss)	\$ (11,390)	\$ 2,096	\$ (9,294)	\$ (22,550)	\$ 319	\$ (22,231)
Depreciation and amortization	9,222	1,572	10,794	18,631	3,248	21,879
Interest expense	—	5,977	5,977	—	11,392	11,392
Income tax benefit	—	(4,905)	(4,905)	—	(11,697)	(11,697)
Loss/(gain) on disposal of assets	2,697	(528)	2,169	7,468	(532)	6,936
Stock-based compensation	—	413	413	—	619	619
Gain on extinguishment of debt	—	(6,975)	(6,975)	—	(6,975)	(6,975)
Other expense	—	14	14	—	312	312
Adjusted EBITDA	\$ 529	\$ (2,336)	\$ (1,807)	\$ 3,549	\$ (3,314)	\$ 235

(1) Other general and administrative expense relates to legal settlement expense.

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**Note 6 - Net Income (Loss) Per Share**

Net income (loss) per share is determined by dividing the net income (loss) relevant to the common stockholders by the weighted average number of shares outstanding during the period. Diluted net income (loss) per common share uses the same net income (loss) divided by the number of shares that would be outstanding assuming dilutive options and stock are converted. The table below shows the calculations for the three and six months ended June 30, 2017 and 2016.

<b>(In thousands, except for per share data)</b>	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<i>Numerator (both basic and diluted)</i>				
Net income (loss) relevant to common stockholders	\$ 4,921	\$ (9,294)	\$ (19,431)	\$ (22,231)
<i>Denominator</i>				
Denominator for basic income (loss) per share	83,040	39,496	69,593	37,244
Dilutive effect of stock options	2,867	—	—	—
Dilutive effect of performance stock units	—	—	—	—
Dilutive effect of non-vested restricted stock	372	—	—	—
Denominator for diluted income (loss) per share	86,279	39,496	69,593	37,244
Basic income (loss) per common share	\$ 0.06	\$ (0.24)	\$ (0.28)	\$ (0.60)
Diluted income (loss) per common share	\$ 0.06	\$ (0.24)	\$ (0.28)	\$ (0.60)

As shown in the table below, the following non-vested restricted stock, performance stock units, and stock options have not been included in the calculation of diluted income (loss) per share as they would be anti-dilutive to the calculation above.

**(In thousands)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Stock options	793	3,371	4,640	3,371
Performance stock units	170	—	170	—
Non-vested restricted stock	319	372	692	372
	1,282	3,743	5,502	3,743

**Note 7 - Stock-Based Compensation**

**Stock Options**

Effective March 4, 2013, we adopted the ProPetro Stock Option Plan pursuant to which our Board of Directors may grant stock options or other stock-based awards to key employees, consultants, and directors. The Plan, as amended, is authorized to grant up to 4,645,884 shares of common stock to be issued upon exercise of the options. The Company's share price used to estimate the fair value of the option at the grant date was based on a combination of income and market approaches, which are highly complex and sensitive. The income approach involves the use of a discounted cash flow method, with cash flow projections discounted at an appropriate discount rate. The market approach involves the use of comparable public companies market multiples in estimating the fair value of the Company's stock. The expected term used to calculate the fair value of all options considers the vesting date and the grant's expiration date. The expected volatility was estimated by considering comparable public companies, and the risk free rate is based on the U.S treasury yield curve as of the grant date. The dividend assumption is based on historical experience. After becoming a public company, the market price was used to determine the market value of our common stock. Prior to 2015, we had granted a total of 3,499,228 options with an exercise price of \$3.96 per option, and all options expire 10 years from the date of grant.

On June 14, 2013, we granted 2,799,408 stock option awards to certain key employees and directors that shall vest and become exercisable based upon the achievement of a service requirement. The options vest in 25% increments for each year of

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**Note 7 - Stock-Based Compensation (Continued)**

continuous service and an option becomes fully vested upon the optionee's completion of the fourth year of service. The contractual term for the options awarded is 10 years. For the six months ended June 30, 2017 and 2016, we recognized \$0.6 million in compensation expense related to these stock options. The fair value of each option award granted is estimated on the date of grant using the Black-Scholes option-pricing model. The fair value of the options was estimated at the date of grant using the following assumptions:

Expected volatility		45%
Expected dividends	\$	—
Expected term (in years)		6.25
Risk free rate		1.35%

On December 1, 2013, we granted 699,820 stock option awards to certain key employees which were scheduled to vest in four substantially equal annual installments, subject to service and performance requirements and acceleration upon a change in control. As of June 30, 2016, the performance requirement was not considered to be probable of achievement for any of the outstanding option awards and 114,456 options were forfeited during the year ended December 31, 2016. Accordingly, we have not recognized any compensation expense related to these stock options as of June 30, 2016. Effective March 16, 2017, we terminated the options in connection with the IPO and approved a cash bonus totaling \$5.1 million to the holders of the options.

The contractual term for the options awarded is 10 years. The fair value of each option award granted is estimated on the date of grant using the Black-Scholes option-pricing model. The fair value of the options was estimated at the date of grant using the following assumptions:

Expected volatility		45%
Expected dividends	\$	—
Expected term (in years)		6.25
Risk free rate		1.83%

On July 19, 2016, we granted 1,274,549 stock option awards to certain key employees and directors which are scheduled to vest in five substantially equal semi-annual installments commencing in December 2016, subject to a continuing services requirement. The contractual term for the options awarded is 10 years. For the six months ended June 30, 2017, we recognized the remaining \$1.8 million in stock compensation expense related to these stock options, as the Company fully accelerated vesting of the options in connection with the IPO.

The fair value of each option award granted is estimated on the date of grant using the Black-Scholes option-pricing model. The fair value of the options was estimated at the date of grant using the following assumptions:

Expected volatility		55%
Expected dividends	\$	—
Expected term (in years)		5.8
Risk free rate		1.22%

In March 2017, our shareholders approved the ProPetro 2017 Incentive Award Plan ("IAP") pursuant to which our Board of Directors may grant stock options, Restricted Stock Units (RSUs), performance stock units, or other stock-based awards to key employees, consultants, directors and employees. The IAP authorizes up to 5,800,000 shares of common stock to be issued under awards granted pursuant to the plan. On March 16, 2017, we granted 793,738 stock option awards to certain key employees and directors pursuant to the IAP which are scheduled to vest in four substantially equal annual installments, subject to a continuing service requirement. The contractual term for the options awarded is 10 years. For the six months ended June 30, 2017, we recognized \$0.2 million in stock compensation expense related to these stock options.

The fair value of each option award granted is estimated on the date of grant using the Black-Scholes option-pricing model. The fair value of the options was estimated at the date of grant using the following assumptions:

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**Note 7 - Stock-Based Compensation (Continued)**

Expected volatility	18%
Expected dividends	\$ —
Expected term (in years)	6.25
Risk free rate	2.23%

A summary of the stock option activity for the six months ended June 30, 2017 and the year ended December 31, 2016, is presented below.

	Number of Shares	Weighted Average Exercise Price	Weighted Average Grant-Date Fair Value
Outstanding at January 1, 2016	3,485,791	\$ 3.96	\$ 1.77
Granted	1,274,549	\$ 2.25	\$ 1.77
Exercised	—	\$ —	\$ —
Forfeited	(114,456)	\$ 3.96	\$ 1.77
Expired	—	\$ —	\$ —
Outstanding at December 31, 2016	<u>4,645,884</u>	<u>\$ 3.49</u>	<u>\$ 1.77</u>
Exercisable at December 31, 2016	<u>2,354,466</u>	<u>\$ 3.77</u>	<u>\$ 1.77</u>
Outstanding at January 1, 2017	4,645,884	\$ 3.49	\$ 1.77
Granted	793,738	\$ 14.00	\$ 3.35
Exercised	(226,194)	\$ 3.96	\$ 1.77
Forfeited	(1,088)	\$ 14.00	\$ 3.35
Expired	—	\$ —	\$ —
Canceled	(571,927)	\$ 3.96	\$ 1.77
Outstanding at June 30, 2017	<u>4,640,413</u>	<u>\$ 5.20</u>	<u>\$ 2.04</u>
Exercisable at June 30, 2017	<u>3,847,763</u>	<u>\$ 3.39</u>	<u>\$ 1.77</u>

**Restricted Stock Units (Non-Vested Stock) and Performance Stock Units**

On September 30, 2013, our Board of Directors authorized and granted 372,335 Restricted Stock Units (RSUs) to a key executive. Each RSU represents the right to receive one share of common stock of the Company at par value \$0.001 per share. Under the terms of the award, the shares of common stock subject to the RSUs were to be paid to the grantee upon change in control, regardless of whether the grantee was affiliated with the Company on the settlement date. The fair value of the RSUs is measured as the price of the Company's shares on the grant date, which was estimated to be \$3.89. The share price used to estimate the fair value of the RSU at the grant date was based on a combination of income and market approaches, which are highly complex and sensitive. The income approach involves the use of a discounted cash flow method, with the cash flow projections discounted at an appropriate discount rate. The market approach involves the use of comparable public companies market multiples in estimating the fair value of the Company's stock. Effective March 22, 2017, the Board of Directors canceled these RSUs and issued 372,335 new RSUs to the grantee. These issued RSUs are effectively identical to the RSUs granted in 2013, provided, however, that the RSUs will now be payable in full on March 22, 2018. The fair value of the RSUs issued on March 22, 2017, was based on the Company's stock market price at the grant date. In connection with the IPO, we fully recognized the stock compensation expense related to the re-issued RSUs.

On June 5, 2017, our Board of Directors granted 319,250 RSUs to employees, directors and executives pursuant to the IAP. Each RSU represents the right to receive one share of common stock. The fair value of the RSUs is based on the closing

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**Note 7 - Stock-Based Compensation (Continued)**

share price of our common stock on the date of grant. During the six months ended June 30, 2017 and 2016, the recorded stock compensation expense for all RSUs was \$5.3 million and \$0, respectively.

The following table summarizes RSUs activity during the six months ended June 30, 2017:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2017	372,335	\$ 3.89
Granted	691,585	\$ 13.65
Vested	—	\$ —
Exercised	—	\$ —
Forfeited	—	\$ —
Canceled	(372,335)	\$ 3.89
Outstanding at June 30, 2017	<u>691,585</u>	<u>\$ 13.65</u>

Effective June 5, 2017, our Board of Directors authorized and granted performance stock unit awards to certain key employees under the IAP. The actual number of shares that may be issued under the performance stock unit awards ranges from zero up to a maximum of twice the target number of performance stock unit awards granted to the participant, based on our total shareholder return relative to a designated peer group from the date of our IPO through December 31, 2019. Compensation expense is recorded ratably over the corresponding requisite service period. The fair value of performance stock unit awards is determined using a Monte Carlo probability model. Grant recipients do not have any shareholder rights until performance relative to the peer group has been determined following the completion of the performance period and shares have been issued. During the six months ended June 30, 2017 and 2016 the recorded stock compensation expense for the performance stock units was \$0.1 million and \$0, respectively.

The following table summarizes information about the performance stock units that were outstanding at June 30, 2017:

Period Granted	Target Shares Outstanding at Beginning of Period	Target Shares Granted	Target Shares Vested	Target Shares Forfeited	Target Shares Outstanding at End of Period	Weighted Average Grant Date Fair Value per Share
2017	—	169,635	—	—	169,635	\$ 10.73
Total	—	169,635	—	—	169,635	

The total stock compensation expense for the six months ended June 30, 2017 and 2016 for all stock awards was \$8.0 million and \$0.6 million, respectively. The total unrecognized compensation expense as of June 30, 2017 is approximately \$8.4 million, and is expected to be recognized over a weighted-average period of approximately 3.1 years.



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**Note 8 - Related-Party Transactions**

The Company leases its corporate offices from a related party pursuant to a five-year lease agreement with a five-year extension option requiring a base rent of \$0.07 million per year. The Company also leases five properties adjacent to the corporate office from related parties with annual base rents of \$0.03 million, \$0.03 million, \$0.09 million, \$0.09 million, and \$0.18 million.

For the six months ended June 30, 2017 and 2016, the Company paid approximately \$0.12 million and \$0.06 million, respectively, for the use of transportation services from a related party. The Company also rents equipment in Elk City, Oklahoma from a related party. For the the six months ended June 30, 2017 and 2016, the Company paid \$0.10 million and \$0.10 million, respectively.

At June 30, 2017 and December 31, 2016, the Company had \$0.04 million and \$0 in payables, respectively, and approximately \$0.02 million and \$0.04 million in receivables, respectively, for related parties for services provided.

All agreements pertaining to real property and equipment were entered into during periods where the Company had limited liquidity and related parties secured them on behalf of the Company. All related party transactions are immaterial and have not been separately shown on the face of the financial statements.

For related party disclosure related to equity transactions with ECP, see Note 10.

**Note 9 - Commitments and Contingencies**

**Operating Lease**

We have various operating leases for office space and certain property and equipment. For the six months ended June 30, 2017 and 2016, we recorded operating lease expense of \$0.7 million and \$0.7 million, respectively. Required remaining lease payments for each fiscal year are as follows:

**(\$ in thousands)**

2017	\$	232
2018		426
2019		366
2020		344
2021 and thereafter		774
Total	\$	<u>2,142</u>

**Contingent Liabilities**

We may be subject to various legal actions, claims, and liabilities arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a materially adverse effect on our financial position, results of operations, or liquidity.

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**Note 10 - Equity Capitalization**

**Credit Amendment Equity Infusion**

In connection with the Term Loan and Revolving Credit Facility amendment dated June 8, 2016 (see Note 4), ECP and its related affiliates along with other shareholders infused \$40.425 million of equity into the Company and we issued 18,007,328 additional shares of stock.

**Convertible Preferred Stock**

On December 27, 2016, we completed a private placement offering of \$170.0 million, issuing 16,999,990 shares of Series A nonparticipating convertible preferred stock, par value \$0.001 per share. Costs associated with the offering were approximately \$7.0 million, resulting in net proceeds to the Company of approximately \$163.0 million.

As of December 31, 2016, 16,999,990 shares of Series A convertible preferred stock were issued and outstanding, convertible into common stock at the conversion price per the private placement agreement. Upon the consummation of the IPO, the Series A Preferred stock automatically converted into common stock.

**Initial Public Offering**

On March 22, 2017, we consummated our IPO in which 25,000,000 shares of our common stock, par value \$0.001 per share, were sold at a public offering price of \$14.00 per share, with 13,250,000 shares issued and sold by the Company and 11,750,000 shares sold by existing stockholders. We received net proceeds of approximately \$170.1 million after deducting \$10.9 million of underwriting discounts and commissions, and \$4.5 million of other offering expenses. At closing, we used the proceeds (i) to repay \$71.8 million in outstanding borrowings under the term loan, (ii) to fund the purchase of additional hydraulic fracturing fleets and ancillary equipment, and (iii) for general corporate purposes. In connection with the IPO, all 16,999,990 shares of our outstanding Series A Preferred Stock converted to common stock on a 1:1 basis.

Additionally, on March 28, 2017, two executives net settled 226,194 of their exercisable stock options and received 162,212 shares of common stock.

At June 30, 2017 and December 31, 2016, the Company had 83,039,854 and 52,627,652 shares outstanding, respectively.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are intended to be covered by the safe harbor provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are predictive in nature, refer to future events or conditions, and generally not historical facts. Words such as "may," "could," "plan," "project," "budget," "predict," "pursue," "target," "seek," "objective," "believe," "expect," "anticipate," "intend," "estimate," "will," "may," "should" and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to statements about our business strategy, industry, future profitability and future capital expenditures. Such statements are subject to risks and uncertainties, many of which are difficult to predict and generally beyond our control, that could cause actual results to differ materially from those implied or projected by the forward-looking statements. Factors that could cause our actual results to differ materially from those contemplated by such forward-looking statements include:

- the level of production and resulting market prices for crude oil, natural gas and other hydrocarbons;
- changes in general economic and geopolitical conditions;
- competitive conditions in our industry;
- changes in the long-term supply of, and demand for, oil and natural gas;
- actions taken by our customers, suppliers, competitors and third-party operators;
- changes in the availability and cost of capital;
- our ability to successfully implement our business plan;
- large or multiple customer defaults, including defaults resulting from actual or potential insolvencies;
- the price and availability of debt and equity financing (including changes in interest rates);
- our ability to complete growth projects on time and on budget;
- changes in our tax status;
- technological changes;
- operating hazards, natural disasters, weather-related delays, casualty losses and other matters beyond our control;
- the effects of existing and future laws and governmental regulations (or the interpretation thereof);
- the effects of future litigation;  
and
- our ability to successfully execute on our plans and objectives.

Readers are cautioned not to place undue reliance on our forward-looking statements. We do not undertake to update or revise any forward-looking statements, except as required by applicable securities laws. Investors are also advised to carefully review and consider the various risks and other disclosures discussed in our SEC reports.

## **ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The financial information, discussion and analysis that follow should be read in conjunction with our consolidated financial statements and the related notes included in the Prospectus as well as the financial and other information included therein.

Unless otherwise indicated, references in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" to the "Company," "we," "our," "us" or like terms refer to ProPetro Holding Corp. and its subsidiary.

### **Overview**

We are a growth-oriented, Midland, Texas-based oilfield services company providing hydraulic fracturing and other complementary services to leading upstream oil and gas companies engaged in the exploration and production ("E&P") of North American unconventional oil and natural gas resources. Our operations are primarily focused in the Permian Basin, where we have cultivated longstanding customer relationships with some of the region's most active and well-capitalized E&P companies. The Permian Basin is widely regarded as the most prolific oil-producing area in the United States, and we believe we are currently one of the largest provider of hydraulic fracturing services in the region by hydraulic horsepower, or HHP, with an aggregate deployed capacity of 555,000 HHP. Our fleet, which consists of 13 hydraulic fracturing fleets, has been designed to handle the highest intensity, most complex hydraulic fracturing jobs and has been 100% utilized since September 2016. During the quarter ended June 30, 2017, we purchased and put in service two additional hydraulic fracturing fleets, and took delivery and put into service a third fleet following the end of quarter, bringing our total to 13 deployed fleets. In addition, we have contracted to purchase three new hydraulic fracturing fleets scheduled for delivery and deployment to dedicated customers in the second half of 2017 as well as other ancillary equipment such as engines and spare parts. These fleets will provide us with an additional 135,000 HHP, bringing our aggregate capacity to 690,000 HHP.

Through our pressure pumping segment (which also includes cementing and acidizing operations), we primarily provide hydraulic fracturing services to E&P companies in the Permian Basin. Our modern hydraulic fracturing fleet has been designed to handle Permian Basin specific operating conditions and the region's increasingly high-intensity well completions, which are characterized by longer horizontal wellbores, more frac stages per lateral and increasing amounts of proppant per well. Over 75% of our fleet has been delivered over the past four years, and we have fully maintained our equipment throughout the recent industry downturn to ensure optimal performance and reliability. Additionally, all of the hydraulic horsepower delivered over the last four years has been sourced from a single manufacturer, leading to a homogeneous fleet with streamlined maintenance programs and training for our personnel.

In addition to our core pressure pumping segment operations, we also offer a suite of complementary well completion and production services, including coiled tubing, flowback, Permian drilling and surface air drilling. We believe these complementary services create operational efficiencies for our customers and allow us to capture a greater portion of their capital spending across the lifecycle of a well. Additionally, we believe that these complementary services should benefit from a continued industry recovery and that we are well positioned to continue expanding these offerings in response to our customers increasing service needs and spending levels.

### **Industry Trends and Outlook**

The oil and gas industry has traditionally been volatile and is influenced by a combination of long-term, short-term and cyclical trends, including domestic and international supply and demand for oil and gas, current and expected future prices for oil and gas and the perceived stability and sustainability of those prices, and capital investments of E&P companies toward their development and production of oil and gas reserves. The oil and 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 internationally), levels of consumer demand, adverse weather conditions, and other factors that are beyond our control. Declines and sustained weakness in crude oil prices began in the fourth quarter of 2014 and continued into February 2016, when the closing crude oil price reached a low of \$26.19 per barrel. This decline in oil prices caused our customers to reduce drilling and completion activity and curtail spending. These declines adversely affected the demand for our equipment and services and negatively impacted the prices we were able to charge our customers.

Most recently, the recovery of crude oil prices to the range of \$40–\$50 per barrel since December 2016 through July 2017, has driven a considerable increase in drilling and completion activity, and associated demand for our services. The Permian Basin, our primary area of operation, is leading the recovery with the number of active drilling rigs increasing 177%

from a low of 137 rigs in the basin as of May 2016 to 379 rigs in the basin as of July 2017, according to Baker Hughes. In addition to increased activity levels in the Permian Basin, several evolving industry trends, including increasingly longer horizontal wellbore laterals, a greater number of frac stages per lateral and increasing amounts of proppant employed per well, have significantly increased demand for our hydraulic fracturing and other completion services.

As the Permian Basin shifts further towards more intensive horizontal drilling, operators and service providers are expected to continue to place significant focus on drilling and completion efficiencies, such as multi-well pads and zipper fracs. Multi-well pads allow for the drilling of multiple wellbores from a single topside location, reducing average drilling time. Similarly, zipper fracturing allows for the alternating completion of hydraulic fracturing stages in adjacent wells, increasing the number of stages that can be performed in a given time period. These advancements have resulted in a reduction in the number of days typically required to drill and complete a well and increased the total number of wells that can be drilled per rig, which, in turn, drives incremental demand for hydraulic fracturing services.

Rising producer activity levels, increasing basin service intensity and continued drilling and completion efficiencies have combined to drive the 100% utilization of our fleet and build a sizable backlog of addressable demand for our services. We have seen our competitors defer necessary maintenance capital spending, cannibalize existing units for spare parts and idle HHP. This has resulted in tightening hydraulic fracturing supply and demand fundamentals and could drive pricing improvement for our hydraulic fracturing services. Moreover, we believe the other complementary services we provide are well-positioned to similarly benefit from a continued industry recovery.

Our competitors include many large and small oilfield services companies, including RPC, Inc., Halliburton, C&J Energy Services, Patterson-UTI Energy Inc., Superior Energy Services, Schlumberger and a number of private companies. Competitive factors impacting sales of our services are price, reputation and technical expertise, service and equipment quality, and health and safety standards. Although we believe our customers consider all of these factors, we believe price is a key factor in E&P companies' criteria in choosing a service provider. While we seek to price our services competitively, we believe many of our customers elect to work with us based on our deep local roots, operational expertise, the capability of our modern fleet to handle the most complex Permian Basin well completions, and commitment to safety and reliability.

Our substantial market presence in the Permian Basin positions us well to capitalize on increasing drilling and completion activity in the region. Historically, our operational focus has been in the Permian Basin's Midland sub-basin, where our customers have primarily operated. More recently however, with increasing levels of Delaware Basin activity, we have recently expanded our presence in the Delaware Basin in response to increasing levels of demand pull from our customers. Given our entrenched relationships with a variety of Delaware Basin operators, we believe that we are uniquely positioned to capture large addressable growth opportunity as the basin develops. Over time, we expect the Permian Basin's Midland and Delaware sub-basins to continue to command a disproportionate share of future North American E&P spending.

### **How We Evaluate Our Operations**

Our management uses a variety of financial and operating metrics to evaluate and analyze the performance of our business, including Adjusted EBITDA and Adjusted EBITDA margin.

#### ***EBITDA, Adjusted EBITDA and Adjusted EBITDA margin***

We view Adjusted EBITDA and Adjusted EBITDA margin as important indicators of performance. We define EBITDA as our net income, before (i) interest expense, (ii) income taxes and (iii) depreciation and amortization. We define Adjusted EBITDA as EBITDA, plus (i) loss/(gain) on disposal of assets, (ii) (gain) on extinguishment of debt, (iii) stock based compensation, and (iv) other unusual or nonrecurring expenses, such as impairment charges and costs related to our initial public offering. Adjusted EBITDA margin reflects our Adjusted EBITDA as a percentage of our revenues.

EBITDA, Adjusted EBITDA and Adjusted EBITDA margin are supplemental measures utilized by our management and other users of our financial statements such as investors, commercial banks, research analysts and others, to assess our financial performance because it allows us to compare our operating performance on a consistent basis across periods by removing the effects of our capital structure (such as varying levels of interest expense), asset base (such as depreciation and amortization), nonrecurring expenses (such as IPO bonus) and items outside the control of our management team (such as income tax rates). EBITDA, Adjusted EBITDA and Adjusted EBITDA margin have limitations as analytical tools and should not be considered as an alternative to net income, operating income, cash flow from operating activities or any other measure of financial performance presented in accordance with GAAP.

**Note Regarding Non-GAAP Financial Measures**

EBITDA, Adjusted EBITDA and Adjusted EBITDA margin are not financial measures presented in accordance with GAAP. We believe that the presentation of these non-GAAP financial measures provide useful information to investors in assessing our financial condition and results of operations because it allows them to compare our operating performance on a consistent basis across periods by removing the effects of our capital structure, asset base, nonrecurring expenses and items outside the control of the Company. Net income is the GAAP measure most directly comparable to Adjusted EBITDA. Our non-GAAP financial measures should not be considered as alternatives to the most directly comparable GAAP financial measure. Each of these non-GAAP financial measures has important limitations as analytical tools because they exclude some, but not all, items that affect the most directly comparable GAAP financial measures. You should not consider Adjusted EBITDA or Adjusted EBITDA margin in isolation or as a substitute for an analysis of our results as reported under GAAP. Because Adjusted EBITDA and Adjusted EBITDA margin may be defined differently by other companies in our industry, our definitions of these non-GAAP financial measures may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

*Reconciliation of net income (loss) to adjusted EBITDA:*

(\$ in thousands)	Three months ended June 30, 2017			Six months ended June 30, 2017		
	Pressure Pumping	All Other	Total	Pressure Pumping	All Other	Total
Net income (loss)	\$ 9,633	\$ (4,712)	\$ 4,921	\$ 1,715	\$ (21,146)	\$ (19,431)
Depreciation and amortization	11,596	1,110	12,706	21,591	2,266	23,857
Interest expense	—	650	650	—	5,825	5,825
Income tax expense	—	108	108	—	223	223
Loss/(gain) on disposal of assets	9,681	106	9,787	20,391	(162)	20,229
Stock-based compensation	—	609	609	—	7,978	7,978
Other expense	—	627	627	—	602	602
Other general and administrative expense <sup>(1)</sup>	—	572	572	—	572	572
Deferred IPO bonus expense	452	224	676	4,586	2,443	7,029
Adjusted EBITDA	\$ 31,362	\$ (706)	\$ 30,656	\$ 48,283	\$ (1,399)	\$ 46,884

  

(\$ in thousands)	Three months ended June 30, 2016			Six months ended June 30, 2016		
	Pressure Pumping	All Other	Total	Pressure Pumping	All Other	Total
Net income (loss)	\$ (11,390)	\$ 2,096	\$ (9,294)	\$ (22,550)	\$ 319	\$ (22,231)
Depreciation and amortization	9,222	1,572	10,794	18,631	3,248	21,879
Interest expense	—	5,977	5,977	—	11,392	11,392
Income tax benefit	—	(4,905)	(4,905)	—	(11,697)	(11,697)
Loss/(gain) on disposal of assets	2,697	(528)	2,169	7,468	(532)	6,936
Stock-based compensation	—	413	413	—	619	619
Gain on extinguishment of debt	—	(6,975)	(6,975)	—	(6,975)	(6,975)
Other expense	—	14	14	—	312	312
Adjusted EBITDA	\$ 529	\$ (2,336)	\$ (1,807)	\$ 3,549	\$ (3,314)	\$ 235

(1) Other general and administrative expense relates to legal settlement expense.

## Results of Operations

We conduct our business through seven operating segments: hydraulic fracturing, cementing, acidizing, coil tubing, flowback, surface drilling, and Permian drilling. For reporting purposes, the hydraulic fracturing, cementing and acidizing operating segments are aggregated into our one reportable segment—pressure pumping. All other operating segments and corporate administrative expenses are included in the “all other” category. We expect revenues and costs of services related to our Permian drilling operating segment to comprise a lower percentage of total revenues and total costs of service in future results of operations when compared to historic results due to our increased focus on pressure pumping and other complementary service offerings. We anticipate the financial significance of this service line relative to the financial results from pressure pumping and other service offerings to continue to decline.

The following table sets forth the results of operations for the periods presented (in thousands, except for percentages):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenue	\$ 213,492	\$ 68,165	\$ 385,423	\$ 156,095
Cost of services <sup>(1)</sup>	176,777	64,849	326,342	145,139
General and administrative expense <sup>(2)</sup>	7,916	5,536	27,776	11,340
Depreciation and amortization	12,706	10,794	23,857	21,879
Loss on disposal of assets	9,787	2,169	20,229	6,936
Interest expense	650	5,977	5,825	11,392
Gain on extinguishment of debt	—	(6,975)	—	(6,975)
Other expense	627	14	602	312
Income tax expense/(benefit)	108	(4,905)	223	(11,697)
<b>Net income (loss)</b>	<b>\$ 4,921</b>	<b>\$ (9,294)</b>	<b>\$ (19,431)</b>	<b>\$ (22,231)</b>
Adjusted EBITDA <sup>(3)</sup>	\$ 30,656	\$ (1,807)	\$ 46,884	\$ 235
Adjusted EBITDA Margin <sup>(3)</sup>	14.36%	(2.65)%	12.16%	0.15%
<b>Pressure pumping segment results of operations:</b>				
Revenue	\$ 203,591	\$ 62,167	\$ 367,431	\$ 141,712
Cost of services	\$ 169,275	\$ 58,781	\$ 312,647	\$ 132,122
Adjusted EBITDA	\$ 31,362	\$ 529	\$ 48,283	\$ 3,549
Adjusted EBITDA Margin <sup>(4)</sup>	15.40%	0.85 %	13.14%	2.50%

(1) Exclusive of depreciation and amortization.

(2) Inclusive of stock-based compensation.

(3) For definitions of the non-GAAP financial measures of Adjusted EBITDA and Adjusted EBITDA margin and reconciliation of Adjusted EBITDA to our most directly comparable financial measures calculated in accordance with GAAP, please read "How We Evaluate Our Operations"

(4) The non-GAAP financial measure of Adjusted EBITDA margin for the pressure pumping segment is calculated by taking Adjusted EBITDA for the pressure pumping segment as a percentage of our revenue for the pressure pumping segment.

**THREE MONTHS ENDED JUNE 30, 2017 COMPARED TO THREE MONTHS ENDED JUNE 30, 2016**

*Revenues.* Revenues increased 213.2%, or \$145.3 million, to \$213.5 million for the three months ended June 30, 2017, as compared to \$68.2 million for the three months ended June 30, 2016. The increase was primarily attributable to the increase in customer activity, fleet size and demand for our services, which has led to an increase in pricing for our hydraulic fracturing and other services. Our pressure pumping segment revenues increased 227.5%, or \$141.4 million, for the three months ended June 30, 2017, as compared to the three months ended June 30, 2016. Revenues from services other than pressure pumping increased 65.1%, or \$3.9 million, for the three months ended June 30, 2017 as compared to the three months ended June 30, 2016. The increase in revenues from services other than pressure pumping was primarily attributable to the increase in revenues and customer demand for our flowback, coil tubing and surface drilling services, offset by the decrease in revenue from idling of our Permian drilling rigs in the three months ended June 30, 2017.

*Cost of Services.* Cost of services increased 172.6%, or \$111.9 million, to \$176.8 million for the three months ended June 30, 2017, from \$64.8 million during the three months ended June 30, 2016. Cost of services in our pressure pumping segment increased \$110.5 million for the three months ended June 30, 2017, as compared to the three months ended June 30, 2016. The increases were primarily attributable to higher activity levels, fleet size, coupled with an increase in personnel headcount following the increased activity levels. As a percentage of pressure pumping segment revenues, pressure pumping cost of services decreased to 83.1% for the three months ended June 30, 2017, as compared to 94.6% for the three months ended June 30, 2016. The decrease in cost of services as a percentage of revenue for the pressure pumping segment resulted from greater pricing power as demand for our services increased, without a corresponding increase in costs, which resulted in significantly higher realized Adjusted EBITDA margins during the three months ended June 30, 2017.

*General and Administrative Expenses.* General and administrative expenses increased 43.0%, or \$2.4 million, to \$7.9 million for the three months ended June 30, 2017, as compared to \$5.5 million for the three months ended June 30, 2016. The increase was primarily attributable to marginal increases in legal and professional fees, insurance expense, payroll and travel.

*Depreciation and Amortization.* Depreciation and amortization increased 17.7%, or \$1.9 million, to \$12.7 million for the three months ended June 30, 2017, as compared to \$10.8 million for the three months ended June 30, 2016. The increase was primarily attributable to additional property and equipment purchased in 2017. We calculate depreciation of property and equipment using the straight-line method.

*Loss on Disposal of Assets.* Loss on the disposal of assets increased 351.2%, or \$7.6 million, to \$9.8 million for the three months ended June 30, 2017, as compared to \$2.2 million for the three months ended June 30, 2016. The increase was primarily attributable to greater service intensity of jobs completed coupled with higher activity levels and utilization of our equipment.

*Interest Expense.* Interest expense decreased 89.1%, or \$5.3 million, to \$0.7 million for the three months ended June 30, 2017, as compared to \$6.0 million for the three months ended June 30, 2016. The decrease in interest expense was primarily attributable to a reduction in our average debt balance during 2017 due to the early retirement of our Term Loan and Revolving Credit Facility.

*Other Expense.* Other expense was \$0.6 million for the three months ended June 30, 2017, as compared to other expense of \$0.01 million for the three months ended June 30, 2016. The increase was primarily attributable to an increase in other lender related expenses and non-recurring NYSE listing related expenses, and partially offset by a decrease in the unrealized gain resulting from the change in the fair value of our interest rate swap liability at June 30, 2017 compared to June 30, 2016.

*Gain on Extinguishment of Debt.* There was no debt extinguishment gain or loss during the three months ended June 30, 2017, compared to the gain on extinguishment of debt, net of cost, of \$6.98 million during the three months ended June 30, 2016. The gain on extinguishment of debt during 2016 was as a result of the auction process with our lenders to repurchase \$37.5 million of our Term Loan at a 20% discount to par value.

*Income Tax Expense/(Benefit).* For the three months ended June 30, 2017, we utilized the discrete effective tax rate method as allowed by Accounting Standards Codification ("ASC") 740-270-30-18, *Income Taxes - Interim Reporting* to calculate its interim tax provision. The discrete method treats the year to date period as if it was the annual period and determines the income tax expense or benefit on that basis. We believe that, at this time, the use of this discrete method is more appropriate than the annual effective tax rate method as the annual effective tax rate is not reliable because small changes in estimated "ordinary" income would result in significant changes in the estimated annual effective tax rate. Total income tax expense was \$0.1 million resulting in an effective tax rate of 2.1% for the three months ended June 30, 2017 as compared to



total income tax benefit of \$4.9 million and an effective tax rate of 34.6% for the three months ended June 30, 2016. The change in the effective tax rate is primarily due to our full valuation allowance position, impact of indefinite lived assets, and state tax expense.

### **SIX MONTHS ENDED JUNE 30, 2017 COMPARED TO SIX MONTHS ENDED JUNE 30, 2016**

*Revenues.* Revenues increased 146.9%, or \$229.3 million, to \$385.4 million for the six months ended June 30, 2017, as compared to \$156.1 million for the six months ended June 30, 2016. The increase was primarily attributable to the increase in customer activity, fleet size and demand for our services, which has led to an increase in pricing for our hydraulic fracturing and other services. Our pressure pumping segment revenues increased 159.3%, or \$225.7 million for the six months ended June 30, 2017 as compared to the six months ended June 30, 2016. Revenues from services other than pressure pumping increased 25.1%, or \$3.6 million, in the six months ended June 30, 2017, as compared to the six months ended June 30, 2016. The increase in revenues from services other than pressure pumping during the six months ended June 30, 2017 was primarily attributable to the increase in revenues and customer demand for our flowback, coil tubing and surface drilling services, offset by the decrease in revenue from idling of our Permian drilling rigs.

*Cost of Services.* Cost of services increased 124.8%, or \$181.2 million, to \$326.3 million for the six months ended June 30, 2017, from \$145.1 million during the six months ended June 30, 2016. Cost of services in our pressure pumping segment increased \$180.5 million for the six months ended June 30, 2017, as compared to the six months ended June 30, 2016. The increases were primarily attributable to higher activity levels, coupled with an increase in personnel headcount following the increased activity levels. As a percentage of pressure pumping segment revenues, pressure pumping cost of services decreased to 85.1% for the six months ended June 30, 2017, as compared to 93.2% for the six months ended June 30, 2016. The decrease in cost of services as a percentage of revenue for the pressure pumping segment resulted from greater pricing power as demand for our services increased, without a corresponding increase in costs, which resulted in significantly higher realized Adjusted EBITDA margins during the six months ended June 30, 2017.

*General and Administrative Expenses.* General and administrative expenses increased 144.9%, or \$16.4 million, to \$27.8 million for the six months ended June 30, 2017, as compared to \$11.3 million for the six months ended June 30, 2016. The increase was primarily attributable to marginal increases in legal and professional fees, insurance expense, payroll and travel, and non-recurring expenses— an IPO bonus of \$7.0 million to key employees, along with \$6.8 million of accelerated stock compensation in connection with the IPO and non-recurring stock compensation for restricted stock units. General and administrative expenses, excluding non-recurring expenses, as a percentage of total revenues decreased to 3.6% for the six months ended June 30, 2017, as compared to 7.3% for the six months ended June 30, 2016, and the decrease is as a result of the higher revenue in the six months ended June 30, 2017.

*Depreciation and Amortization.* Depreciation and amortization increased 9.0%, or \$2.0 million, to \$23.9 million for the six months ended June 30, 2017, as compared to \$21.9 million for the six months ended June 30, 2016. The increase was primarily attributable to additional property and equipment purchased and put into service during the six months ended June 30, 2017. We calculate depreciation of property and equipment using the straight-line method.

*Loss on Disposal of Assets.* Loss on the disposal of assets increased 191.7%, or 13.3 million, to \$20.2 million for the six months ended June 30, 2017, as compared to \$6.9 million for the six months ended June 30, 2016. The increase was primarily attributable to greater service intensity of jobs completed coupled with higher activity levels and utilization of our equipment.

*Interest Expense.* Interest expense decreased 48.9%, or \$5.6 million, to \$5.8 million for the six months ended June 30, 2017, as compared to \$11.4 million for the six months ended June 30, 2016. The decrease in interest expense was primarily attributable to a reduction in our average debt balance during 2017 due to the early retirement of our Term Loan and Revolving Credit Facility.

*Other Expense.* Other expense was \$0.6 million for the six months ended June 30, 2017, as compared to \$0.3 million for the six months ended June 30, 2016. The increase was primarily attributable to an increase in lenders related expenses, non-recurring listing related expenses, and partially offset by an increase in the unrealized gain resulting from the change in the fair value of our interest rate swap liability at June 30, 2017 compared to June 30, 2016.

*Gain on Extinguishment of Debt.* There was no debt extinguishment gain or loss during the six months ended June 30, 2017, compared to the gain on extinguishment of debt, net of cost, of \$6.98 million during the six months ended June 30, 2016. The gain on extinguishment of debt during 2016 was as a result of the auction process with our lenders to repurchase \$37.5 million of our Term Loan at a 20% discount to par value.

*Income Tax Expense/(Benefit)*. For the six months ended June 30, 2017, the Company has utilized the discrete effective tax rate method as allowed by Accounting Standards Codification (“ASC”) 740-270-30-18, *Income Taxes - Interim Reporting* to calculate its interim tax provision. The discrete method treats the year to date period as if it was the annual period and determines the income tax expense or benefit on that basis. The Company believes that, at this time, the use of this discrete method is more appropriate than the annual effective tax rate method as the annual effective tax rate is not reliable because small changes in estimated “ordinary” income would result in significant changes in the estimated annual effective tax rate. Total income tax expense was \$0.2 million resulting in a negative effective tax rate of 1.2% for the six months ended June 30, 2017, compared to total income tax benefit of \$11.7 million and a positive effective tax rate of 34.5% for the six months ended June 30, 2016. The negative effective tax rate is primarily due to the Company’s full valuation allowance position, impact of indefinite lived assets, and state tax expense which creates a deviation from the customary relationship between income tax expense/(benefit) and pre-tax income/(loss).

**Liquidity and Capital Resources**

Effective as of March 22, 2017, we completed our IPO of 13,250,000 shares of common stock at \$14.00 per share, from which we received net proceeds of \$170.1 million using the proceeds (i) to repay the remaining balance on our term loan, (ii) to acquire additional hydraulic fracturing fleets and (iii) for general corporate purposes.

On March 22, 2017, we entered into a new revolving credit facility with a \$150 million borrowing capacity ("ABL Credit Facility"). Borrowings under the ABL Credit Facility accrue interest based on a three-tier pricing grid tied to availability, and we may elect for loans to be based on either LIBOR or base rate, plus the applicable margin, which ranges from 1.75% to 2.25% for LIBOR loans and 0.75% to 1.25% for base rate loans, with no LIBOR floor. Borrowings under the ABL Credit Facility are secured by a first priority lien and security interest in substantially all assets of the Company. The ABL Credit Facility has a tenor of 5 years and a borrowing base of 85% of eligible accounts receivable less customary reserves. Under this facility we are required to comply, subject to certain exceptions and materiality qualifiers, with certain customary affirmative and negative covenants, including, but not limited to, covenants pertaining to our ability to incur liens, indebtedness, changes in the nature of our business, mergers and other fundamental changes, disposal of assets, investments and restricted payments, amendments to our organizational documents or accounting policies, prepayments of certain debt, dividends, transactions with affiliates, and certain other activities. In addition, the ABL Credit Facility includes a Springing Fixed Charge Coverage Ratio of 1.0x when excess availability is less than the greater of (i) 10% of the lesser of the facility size and the Borrowing Base and (ii) \$12 million. The ABL has a commitment fee of 0.375%, which reduces to 0.25% if utilization is greater than 50% of the borrowing base.

As of June 30, 2017, our cash and cash equivalents were \$25.1 million, as compared to \$133.6 million at December 31, 2016. Our liquidity is currently provided by (i) existing cash balances, (ii) operating cash flows and (iii) borrowings under our ABL Credit Facility. As of June 30, 2017, the ABL Credit Facility was undrawn. Our primary uses of cash will be to continue to fund our operations, support organic growth opportunities and satisfy debt payments, if incurred.

There can be no assurance that operations and other capital resources will provide cash in sufficient amounts to maintain planned or future levels of capital expenditures. Future cash flows are subject to a number of variables, and are highly dependent on the drilling, completion, and production activity by our customers, which in turn is highly dependent on oil and gas prices. Depending upon market conditions and other factors, we may issue equity and debt securities or take other actions necessary to fund our business or meet our future obligations.

**Working Capital**

Working capital is the amount by which current assets exceed current liabilities, and is a measure of our ability to pay our liabilities as they become due. The following table presents the components of our working capital as of June 30, 2017 compared to December 31, 2016.

(\$ in thousands)	June 30, 2017	December 31, 2016
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 25,108	\$ 133,596
Accounts receivable - net of allowance for doubtful accounts	147,820	115,179
Inventories	4,819	4,713
Prepaid expenses	6,933	4,608
Other current assets	3,689	6,684
Total current assets	<u>\$ 188,369</u>	<u>\$ 264,780</u>
<b>Current Liabilities:</b>		
Accounts payable	\$ 155,956	\$ 129,093
Accrued liabilities	8,335	13,619
Current portion of long-term debt	6,337	16,920
Accrued interest payable	—	109
Total current liabilities	<u>\$ 170,628</u>	<u>\$ 159,741</u>
Working capital	<u>\$ 17,741</u>	<u>\$ 105,039</u>

Our working capital totaled \$17.7 million and \$105.0 million at June 30, 2017 and December 31, 2016, respectively. The \$87.3 million decrease in working capital is primarily attributable to our use of cash for repayment of debt of \$163.1 million, capital expenditures of \$112.6 million, and other operating expenditures, partially offset by the receipt of \$170.1 million (net of IPO underwriting discounts, commissions and other offering expenses) from the proceeds of the IPO.

#### **Cash and Cash Flows**

Our cash and cash equivalents were \$25.1 million and \$133.6 million at June 30, 2017 and December 31, 2016, respectively.

The following table sets forth the historical cash flows for the six months ended June 30, 2017 and 2016 :

(\$ in thousands)	Six Months Ended June 30,	
	2017	2016
Net cash (used in) provided by:		
Operating activities	\$ (463)	\$ 2,063
Investing activities	\$ (111,401)	\$ (15,051)
Financing activities	\$ 3,376	\$ (1,140)

#### **Operating Activities**

Net cash used in operating activities was \$0.5 million for the six months ended June 30, 2017, compared to net cash provided by operating activities of \$2.1 million for the six months ended June 30, 2016. The net decrease of \$2.5 million was primarily due to increased working capital needs resulting from higher and expanding activity levels.

#### **Investing Activities**

Net cash used in investing activities increased to \$111.4 million for the six months ended June 30, 2017, from \$15.1 million during the six months ended June 30, 2016. The increase was primarily attributable to the new additional hydraulic fracturing fleets and other ancillary equipment purchased during the period, and a slight increase in maintenance capital expenditures, during the six months ended June 30, 2017, compared to the six months ended June 30, 2016.

#### **Financing Activities**

Net cash provided by financing activities was \$3.4 million for the six months ended June 30, 2017, and net cash used in financing activities was \$1.1 million for the six months ended June 30, 2016. The net increase in cash provided was primarily due to the receipt of \$185.5 million of IPO proceeds, partially offset by payment of IPO costs of \$15.1 million and \$163.1 million in repayment of borrowings, during the six months ended June 30, 2017, compared to net cash used of \$38.1 million for repayment of borrowings, offset by the equity capitalization proceeds of \$40.0 million during the six months ended June 30, 2016.

#### **Off-Balance Sheet Arrangements**

We had no off-balance sheet arrangements as of June 30, 2017.

#### **Recently Issued Accounting Standards**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 requires entities to recognize revenue to depict transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU No. 2014-09 requires entities to disclose both qualitative and quantitative information that enables users of the consolidated financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including disclosure of significant judgments affecting the recognition of revenue. ASU No. 2014-09 was originally effective for annual periods beginning after December 15, 2016, using either the retrospective or cumulative effect transition method. On August 12, 2015, the FASB issued ASU No. 2015-14, which defers the effective date of the revenue standard, ASU No. 2014-09, by one year for all entities and permits early adoption on a limited basis. Per our preliminary evaluation, we believe that the adoption of this guidance will not materially affect our revenue recognition. However, we will continue to evaluate and quantify the effect of the adoption of this guidance on our consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory*, which requires entities to measure most inventory "at the lower of cost and net realizable value," thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost or market. ASU No. 2015-11 does not apply to inventories that are

measured by using either the last-in, first-out method or the retail inventory method. The amendments in ASU No. 2015-11 are effective for fiscal years beginning after December 15, 2016. The ASU became effective for us in 2017 and the adoption of this guidance did not materially affect our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, a new standard on accounting for leases. The ASU introduces a lessee model that brings most leases on the balance sheet. The new standard also aligns many of the underlying principles of the new lessor model with those in the current accounting guidance as well as the FASB's new revenue recognition standard. However, the ASU eliminates the use of bright-line tests in determining lease classification as required in the current guidance. The ASU also requires additional qualitative disclosures along with specific quantitative disclosures to better enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The new standard is effective for annual reporting periods beginning after December 15, 2018, including periods within that reporting period, using a modified retrospective approach. Early adoption is permitted. We have not completed an evaluation of the impact the pronouncement will have on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation- Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which modifies several aspects of the accounting for share-based payment transactions including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The new standard is effective for fiscal years and interim periods beginning after December 15, 2016, with early adoption permitted. The ASU became effective for us in 2017 and the adoption of this guidance did not materially affect our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*, which removes the requirement to compare the implied fair value of goodwill with its carrying amount as part of step two of the goodwill impairment test. As a result, under this ASU, an entity would recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. This pronouncement is effective for impairment tests in fiscal years beginning after December 15, 2019, on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We believe that the adoption of this guidance will not materially affect our consolidated financial statements.

#### **Volatility of Oil and Natural Gas Prices and its Impact on Operations and Financial Condition**

Our revenue, profitability and cash flows are highly dependent upon prevailing prices for oil and natural gas and expectations about future prices. For many years, oil and natural gas prices and markets have been extremely volatile. Prices are affected by many factors beyond our control. Oil prices declined significantly close to the end of the second half of 2014. The closing price of oil, which was as high as \$105.68 per barrel during the third quarter of 2014, averaged \$48.69 during 2015 and reached a twelve-year low of \$26.19 in February 2016. However, oil prices have recovered in the third quarter of 2016, and averaged in the range of \$40-\$50 during 2017. As a result of the recent recovery in oil prices, our industry has experienced a significant increase in both drilling and pressure pumping activity levels. Looking forward, assuming commodity prices remain at or above recent levels, we believe U.S. rig counts will continue to increase. We expect oil and natural gas prices to continue to be volatile and to affect our financial condition, operations and ability to access sources of capital. Higher oil and natural gas prices do not necessarily result in increased activity because demand for our services is generally driven by our customers' expectations of future oil and natural gas prices.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

As of June 30, 2017, there have been no material changes in market risk from the information provided in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” or “Quantitative and Qualitative Disclosures of Market Risk” in our Prospectus.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### *Evaluation of Disclosure Controls and Procedures*

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that the information required to be disclosed by us in our 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 and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15(b) under the Exchange Act, we have evaluated, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2017.

#### *Changes in Internal Control over Financial Reporting*

No changes in our system of internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarterly period ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### ITEM 1. Legal Proceedings

From time to time, we may be subject to various legal proceedings and claims incidental to or arising in the ordinary course of our business. We are not currently party to any legal proceedings that we believe would have a material adverse effect on our financial position or results of operations, and we are not aware of any material legal proceedings contemplated by governmental authorities.

### ITEM 1A. Risk Factors

There have been no material changes to our principal risks that we believe are material to our business, results of operations, and financial condition from the risk factors previously disclosed in our final prospectus dated March 16, 2017, and filed with the SEC pursuant to Rule 424(b)(4) under the Securities Act of 1933, as amended, on March 20, 2017, which is accessible on the SEC's website at [www.sec.gov](http://www.sec.gov).

### ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

### ITEM 3. Defaults Upon Senior Securities

None.

### ITEM 4. Mine Safety Disclosures

Not applicable.

### ITEM 5. Other Information

None.

**ITEM 6. Exhibits**

The exhibits required to be filed or furnished by Item 601 of Regulation S-K are listed below.

- 3.1 Certificate of Incorporation of ProPetro Holding Corp., as amended March 16, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017).
- 3.2 Bylaws of ProPetro Holding Corp. (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form S-1, dated March 10, 2017 (Registration No. 333-215940)).
- 10.1+ Form of ProPetro Holding Corp. 2017 Incentive Award Plan Performance Restricted Stock Unit Award Grant Notice and Performance Stock Unit Award Agreement.
- 10.2+ Form of ProPetro Holding Corp. 2017 Incentive Award Plan Restricted Stock Unit Award Grant Notice and Restricted Stock Unit Award Agreement.
- 10.3+ Form of ProPetro Holding Corp. 2017 Incentive Award Plan Director Restricted Stock Unit Award Grant Notice and Director Restricted Stock Unit Award Agreement.
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. §1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. §1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
- \* 101.INS XBRL Instance Document
- \* 101.SCH XBRL Taxonomy Extension Schema Document
- \* 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- \* 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- \* 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document
- \* 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- + Indicates management contracts or compensatory plans or arrangements.



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**SIGNATURES**

Date: August 10, 2017

By: /s/ Dale Redman  
Dale Redman  
Chief Executive Officer and Director  
(Principal Executive Officer)

By: /s/ Jeffrey Smith  
Jeffrey Smith  
Chief Financial Officer  
(Principal Financial Officer)

**EXHIBIT INDEX**

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**PROPETRO HOLDING CORP.  
2017 INCENTIVE AWARD PLAN**

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**PERFORMANCE RESTRICTED STOCK UNIT GRANT NOTICE**

Capitalized terms not specifically defined in this Performance Restricted Stock Unit Grant Notice (the “*Grant Notice*”) have the meanings given to them in the 2017 Incentive Award Plan (as amended from time to time, the “*Plan*”) of ProPetro Holding Corp., a Delaware corporation (the “*Company*”).

The Company has granted to the participant listed below (“*Participant*”) the Performance Restricted Stock Units described in this Grant Notice (the “*PSUs*”), subject to the terms and conditions of the Plan and the Performance Restricted Stock Unit Agreement attached as **Exhibit A** (the “*Agreement*”), both of which are incorporated into this Grant Notice by reference.

**Participant:** [ \_\_\_\_\_ ]

**Grant Date:** [ \_\_\_\_\_ ]

**Performance Period** [ \_\_\_\_\_ ] through [ \_\_\_\_\_ ].

**Target Number of PSUs:** [ \_\_\_\_\_ ]

By Participant’s signature below, Participant agrees to be bound by the terms of this Grant Notice, the Plan and the Agreement. Participant has reviewed the Plan, this Grant Notice and the Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, this Grant Notice and the Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, this Grant Notice or the Agreement. In connection with the grant of the PSUs, Participant shall cause his or her spouse, civil union partner or registered domestic partner, if any, to execute the consent attached hereto as Exhibit B as soon as practicable following the Grant Date.

**PROPETRO HOLDING CORP.**

**PARTICIPANT**

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

**EXHIBIT A**  
**TO PERFORMANCE RESTRICTED STOCK UNIT GRANT NOTICE**

**PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT**

Capitalized terms not specifically defined in this Agreement have the meanings specified in the Grant Notice or, if not defined in the Grant Notice, in the Plan.

**Article I.**

**GENERAL**

1.1 Award of PSUs and Dividend Equivalents

(a) The Company has granted the PSUs to Participant effective as of the grant date set forth in the Grant Notice (the “**Grant Date**”). Each PSU represents the right to receive one Share or, at the option of the Company, an amount of cash, in either case, as set forth in this Agreement. Participant will have no right to the distribution of any shares of Common Stock (“**Stock**”) or payment of any cash until the time (if ever) the PSUs have vested.

(b) The Company hereby grants to Participant, with respect to each PSU, a Dividend Equivalent for ordinary cash dividends paid to the holders of outstanding Stock with a record date after the Grant Date and prior to the date the applicable PSU is settled, forfeited or otherwise expires. Each Dividend Equivalent entitles Participant to receive the equivalent value of any such ordinary cash dividends paid on a single Share. The Company will establish a separate Dividend Equivalent bookkeeping account (a “**Dividend Equivalent Account**”) for each Dividend Equivalent and credit the Dividend Equivalent Account (without interest) on the applicable dividend payment date with the amount of any such cash paid.

1.2 Incorporation of Terms of Plan. The PSUs are subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan will control.

1.3 Unsecured Promise. The PSUs and Dividend Equivalents will at all times prior to settlement represent an unsecured Company obligation payable only from the Company’s general assets.

**Article II.**

**VESTING; FORFEITURE; SETTLEMENT AND RESTRICTIVE COVENANTS**

2.1 Vesting; Forfeiture.

(a) *Generally.* The PSUs will be earned based on the Company’s achievement of the performance conditions set forth in Appendix A. To the extent earned, the PSUs will vest in accordance with the schedule and terms set forth in Section 2.1(b), subject to Section 2.1(c). Any fraction of a PSU that would otherwise be vested will be rounded up to the next whole share. Any PSUs that are not earned in accordance with the performance conditions set forth in Appendix A will immediately and automatically be cancelled and forfeited without consideration as of the date of determination. In addition, in the event of

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Participant's Termination of Service for any reason, all unvested PSUs will immediately and automatically be cancelled and forfeited without consideration, except (i) as otherwise determined by the Administrator or (ii) as provided in a separate binding written agreement between Participant and the Company. Dividend Equivalents (including any Dividend Equivalent Account balance) will vest or be forfeited, as applicable, upon the vesting or forfeiture of the PSU with respect to which the Dividend Equivalent (including the Dividend Equivalent Account) relates.

(b) *PSUs Earned.* The PSUs will be earned at a level of up to 200% of the number of PSUs awarded based on the Company's achievement of the performance conditions set forth in Appendix A for the Performance Period. When practicable following the completion of the Performance Period, the Administrator shall determine the extent to which the performance conditions set forth in Appendix A have been satisfied (such date of determination, the "**Final Determination Date**"). To the extent earned, the PSUs will vest on the Final Determination Date, subject to Participant not incurring a Termination of Service on or prior to the last day of the Performance Period. Notwithstanding the foregoing, the Participant will remain eligible to vest in the PSUs on the Final Determination Date if the Participant incurs a Termination of Service by reason of Participant's death, Retirement or Disability within one year prior to the last date of the Performance Period.

(c) *Change in Control.*

(i) Notwithstanding any provision of this Agreement to the contrary, in the event a Change in Control occurs before the end of the Performance Period, the number of PSUs earned pursuant to this Agreement will be determined by the Administrator as of the date of the Change in Control (with the performance conditions set forth in Appendix A adjusted to the extent necessary to measure performance over such shorter period), consistent with the provisions of Appendix A. Following the date of the Change in Control, such PSUs that are deemed earned will vest on the final date of the Performance Period, subject to Participant not incurring a Termination of Service prior to that date, and will be settled promptly thereafter in accordance with Section 2.2.

(ii) In the event Participant is terminated without Cause by the Company upon or within one year following a Change in Control, the PSUs will vest in full immediately prior to the date of such termination or resignation, as applicable, will be earned at a level determined under subsection (i) above and, notwithstanding the provisions of Section 2.2 to the contrary, will be settled promptly thereafter, subject to any "six month delay" as may be required under Section 13.10 of the Plan.

(iii) For purposes of this Section 2.1, the following definitions shall apply:

(a) "**Cause**" shall have the same meaning as is provided in any relevant employment agreement between Participant and the Company or its Subsidiaries (each a "**Company Group Member**" and, collectively, the "**Company Group**"); provided that, in the absence of such agreement containing such definition, a Company Group Member shall have "Cause" to terminate Participant's employment or services upon: (i)

Participant's willful failure to substantially perform his or her duties for a Company Group Member (other than any such failure resulting from Participant's Disability); (ii) Participant's willful failure to carry out, or comply with, in any material respect any lawful directive of the Board; (iii) Participant's commission at any time of any act or omission that results in, or may reasonably be expected to result in, a conviction, plea of no contest, plea of nolo contendere, or imposition of unadjudicated probation for any felony or crime involving moral turpitude; (iv) Participant's unlawful use (including being under the influence) or possession of illegal drugs on a Company Group Member's premises or while performing Participant's duties and responsibilities for a Company Group Member; (v) Participant's commission at any time of any act of fraud, embezzlement, misappropriation, misconduct, conversion of assets of a Company Group Member, or breach of fiduciary duty against a Company Group Member (or any predecessor thereto or successor thereof); or (vi) Participant's material breach of this Agreement or any other agreement with any Company Group Member (including, without limitation, any breach of the restrictive covenants of any such agreement); and which, in the case of clauses (i), (ii) and (vi), continues beyond thirty (30) days after any Company Group Member has provided Participant written notice of such failure or breach (to the extent that, in the reasonable judgment of the Board, such failure or breach can be cured by Participant). Whether or not an event giving rise to "Cause" occurs will be determined by the Board in its sole discretion.

(b) "**Disability**" shall have the meaning ascribed to such term in any relevant employment agreement between Participant and a Company Group Member; provided that, in the absence of such agreement containing such definition, "Disability" shall mean Participant's inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment.

(c) "**Retirement**" shall have the meaning ascribed to such term in any relevant employment agreement between Participant and a Company Group Member; *provided* that, in the absence of such agreement containing such definition, "Retirement" shall mean termination of Participant's employment by Participant on or following his or her attainment of both (i) age 60 and (ii) ten years of services with the Company Group (together with all predecessors thereto).

## 2.2 Settlement of PSUs.

(a) PSUs and Dividend Equivalents (including any Dividend Equivalent Account balance) will be paid in Stock or cash at the Company's option in the year following the last year of the Performance Period and as soon as administratively practicable after the vesting of the applicable PSU. Notwithstanding the foregoing, the Company may delay any payment under this Agreement that the Company reasonably determines would violate Applicable Law until the earliest date the Company reasonably determines the making of the payment will not cause such a violation, *provided* that such payment shall be made at the earliest date at which the Company reasonably determines that the making of such payment will

not cause such violation, in accordance with Treasury Regulation Section 1.409A-2(b)(7)(ii), and *provided further* that no payment shall be delayed under this Section 2.2(a) if such delay will result in a violation of Section 409A.

(b) If a PSU is paid in cash, the amount of cash paid with respect to the PSU will equal the Fair Market Value of a Share. If a Dividend Equivalent is paid in Stock, the number of shares of Stock paid with respect to the Dividend Equivalent will equal the quotient, rounded up to the nearest whole Share, of the Dividend Equivalent Account balance divided by the Fair Market Value of a Share.

### **Article III.**

#### **TAXATION AND TAX WITHHOLDING**

3.1 Representation. Participant represents to the Company that Participant has reviewed with Participant's own tax advisors the tax consequences of this Award and the transactions contemplated by the Grant Notice and this Agreement. Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents.

3.2 Tax Withholding. Notwithstanding any other provision of this Agreement:

(a) The Company shall have the right to (A) require payment, by or on behalf of Participant, of all sums required by federal, state or local tax law to be withheld with respect to the grant, vesting or payment of the Award and (B) determine the manner in which such payment shall be made, including, if approved by the Chief Executive Officer of the Company in his or her discretion (or, if Participant is the Chief Executive Officer, by the Committee), the withholding of a portion of the vested Shares that have an aggregate market value not in excess of the applicable federal, state and local income, employment and any other applicable taxes required to be withheld.

(b) Participant acknowledges that Participant is ultimately liable and responsible for all taxes owed in connection with the PSUs and the Dividend Equivalents, regardless of any action the Company or any parent or Subsidiary takes with respect to any tax withholding obligations that arise in connection with the PSUs or Dividend Equivalents. Neither the Company nor any parent or Subsidiary makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or payment of the PSUs or the Dividend Equivalents or the subsequent sale of Stock. The Company and its parents and Subsidiaries do not commit and are under no obligation to structure the PSUs or Dividend Equivalents to reduce or eliminate Participant's tax liability.

### **Article IV.**

#### **RESTRICTIVE COVENANTS**

4.1 Restriction on Competition. Participant hereby agrees that Participant shall not, at any time during the Noncompetition Restricted Period, directly or indirectly engage in, have any interest in (including, without limitation, through the investment of capital or lending of money or property), or manage, operate or otherwise render any services to, any Person (whether on his own or in association with others, as a principal, director, officer, employee, agent, representative, partner, member, security holder, consultant,

advisor, independent contractor, owner, investor, participant or in any other capacity) that engages in (either directly or through any Subsidiary or Affiliate thereof) any business or activity, within any of the states or territories within the United States or any other country, territory or state in which the Company Group operates, (i) that creates, designs, invents, engineers, develops, sources, markets, manufactures, distributes or sells any product or provides any service that may be used as a substitute for or otherwise competes with any product or service of the Company Group, or (ii) which the Company Group or any of its Affiliates has taken active steps to engage in or acquire, but only if Participant directly or indirectly engages in, has any interest in (including, without limitation, through the investment of capital or lending of money or property), or manages, operates or otherwise renders any services in connection with, such business or activity (whether on his own or in association with others, as a principal, director, officer, employee, agent, representative, partner, member, security holder, consultant, advisor, independent contractor, owner, investor, participant or in any other capacity). Notwithstanding the foregoing, Participant shall be permitted to acquire a passive stock or equity interest in such a business; provided that such stock or other equity interest acquired is not more than five percent (5%) of the outstanding interest in such business.

4.2 Non-Solicitation. Participant hereby agrees that Participant shall not, at any time during the Nonsolicitation Restricted Period, directly or indirectly, either for Participant or on behalf of any other Person, (i) recruit or otherwise solicit or induce any employee, customer or supplier of the Company Group to terminate his, her or its employment or arrangement with the Company Group, or otherwise change his, her or its relationship with the Company Group, or (ii) hire, or cause to be hired, any person who was employed by the Company Group at any time during the twelve (12)-month period immediately prior to date of Participant's Termination of Service or who thereafter becomes employed by the Company Group.

4.3 Confidentiality. Except as Participant reasonably and in good faith determines to be required in the faithful performance of Participant's duties for the Company Group or in accordance with Section 4.5, Participant shall, during the Participant's period of service with the Company Group and after the Cessation Date, maintain in confidence and shall not directly or indirectly, use, disseminate, disclose or publish, for Participant's benefit or the benefit of any other Person, any confidential or proprietary information or trade secrets of or relating to the Company Group, including, without limitation, information with respect to the Company Group's operations, processes, protocols, products, inventions, business practices, finances, principals, vendors, suppliers, customers, potential customers, marketing methods, costs, prices, contractual relationships, regulatory status, compensation paid to employees or other terms of employment ("**Proprietary Information**"), or deliver to any Person, any document, record, notebook, computer program or similar repository of or containing any such Proprietary Information. Participant's obligation to maintain and not use, disseminate, disclose or publish, or use for Participant's benefit or the benefit of any other Person, any Proprietary Information after the Cessation Date will continue so long as such Proprietary Information is not, or has not by legitimate means become, generally known and in the public domain (other than by means of Participant's direct or indirect disclosure of such Proprietary Information) and continues to be maintained as Proprietary Information by the Company Group. The parties hereby stipulate and agree that as between them, the Proprietary Information identified herein is important, material and affects the successful conduct of the businesses of the Company Group (and any successor or assignee of the Company Group). In accordance with 18 U.S.C. Section 1833, the Company hereby notifies Participant that, notwithstanding anything to the contrary herein, (a) Participant shall not be in breach of this Section 4.3 and shall not be held



criminally or civilly liable under any federal or state trade secret law (i) for the disclosure of a trade secret that is made in confidence to a federal, state or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (ii) for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal, and (b) if Participant files a lawsuit for retaliation by the Company Group for reporting a suspected violation of law, Participant may disclose a trade secret to Participant's attorney, and may use trade secret information in the court proceeding, if Participant files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

4.4 Return of Company Group Property. Upon Participant's Termination of Service for any reason, Participant will promptly deliver to the Company Group (i) all correspondence, drawings, manuals, letters, notes, notebooks, reports, programs, plans, proposals, financial documents, or any other documents that are Proprietary Information, including all physical and digital copies thereof, and (ii) all other Company Group property (including, without limitation, any personal computer or wireless device and related accessories, keys, credit cards and other similar items) which is in his or her possession, custody or control.

4.5 Response to Subpoena; Whistleblower Protection. Participant may respond to a lawful and valid subpoena or other legal process but shall give the Company Group the earliest possible notice thereof, and shall, as much in advance of the return date as possible, make available to the Company Group and its counsel the documents and other information sought, and shall assist such counsel in resisting or otherwise responding to such process. Notwithstanding anything to the contrary contained herein, no provision of this Agreement shall be interpreted so as to impede Participant (or any other individual) from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures under the whistleblower provisions of federal law or regulation. Participant does not need the prior authorization of the Company Group to make any such reports or disclosures and Participant shall not be not required to notify the Company Group that such reports or disclosures have been made.

4.6 Non-Disparagement. Participant agrees not to disparage the Company Group, any of its products or practices, or any of its directors, officers, agents, representatives, partners, members, equity holders or Affiliates, either orally or in writing, at any time; *provided* that Participant may confer in confidence with Participant's legal representatives and make truthful statements as required by law.

4.7 Restrictions Upon Subsequent Employment. Prior to accepting other employment or any other service relationship during the Noncompetition Restricted Period, Participant shall provide a copy of this Article IV to any recruiter who assists Participant in obtaining other employment or any other service relationship and to any employer or other Person with which Participant discusses potential employment or any other service relationship.

4.8 Enforcement. In the event the terms of this Article IV shall be determined by any court of competent jurisdiction to be unenforceable by reason of its extending for too great a period of time or over too great a geographical area or by reason of its being too extensive in any other respect, it will be interpreted to extend only over the maximum period of time for which it may be enforceable, over the maximum

geographical area as to which it may be enforceable, or to the maximum extent in all other respects as to which it may be enforceable, all as determined by such court in such action. Any breach or violation by Participant of the provisions of this Article IV shall toll the running of any time periods set forth in this Article IV for the duration of any such breach or violation.

4.9 Forfeiture Upon Violation. Notwithstanding any other provision of this Agreement that may provide to the contrary, in the event of Participant's violation of any restrictive covenant within this Article IV or any other agreement by and between Participant and any Company Group Member, as determined by the Company, in its sole discretion, then (a) the PSUs shall immediately be terminated and forfeited in its entirety and (b) Participant shall pay to the Company in cash any amounts paid to Participant in respect of the PSUs during the 12-month period immediately preceding (or at any time after) the date of such violation. By accepting these PSUs, Participant hereby acknowledges, agrees and authorizes the Company to reduce any amounts owed by any Company Group Member (including amounts owed as wages or other compensation, fringe benefits, or vacation pay, as well as any other amounts owed to Participant by any Company Group Member), by the amounts Participant owes to the Company under this Section 4.9. To the extent such amounts are not recovered by the Company through such set-off, Participant agrees to pay such amounts immediately to the Company upon demand. This right of set-off is in addition to any other remedies the Company may have against Participant for Participant's breach of this Agreement or any other agreement. Participant's obligations under this Section 4.9 shall be cumulative (but not duplicative) of any similar obligations Participant may have pursuant to this Agreement or any other agreement with any Company Group Member.

4.10 Injunctive Relief. Participant recognizes and acknowledges that a breach of the covenants contained in this Article IV will cause irreparable damage to the Company Group and its goodwill, the exact amount of which will be difficult or impossible to ascertain, and that the remedies at law for any such breach will be inadequate. Accordingly, Participant agrees that in the event of a breach of any of the covenants contained in this Article IV, in addition to any other remedy which may be available at law or in equity, the Company Group will be entitled to specific performance and injunctive relief.

4.11 Special Definition. As used in this Article IV, the following terms shall have the ascribed meanings:

(a) "*Affiliate*" shall mean, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with, such Person where "control" shall have the meaning given such term under Rule 405 of the Securities Act.

(b) "*Cessation Date*" shall mean the date of Participant's Termination of Service (regardless of the reason for such termination).

(c) "*Noncompetition Restricted Period*" shall mean the period from the Grant Date through the first (1st) anniversary of the Cessation Date.

(d) "*Nonsolicitation Restricted Period*" shall mean the period from the Grant Date through the second (2nd) anniversary of the Cessation Date.

**Article V.**

**OTHER PROVISIONS**

5.1 Adjustments. Participant acknowledges that the PSUs, the shares of Stock subject to the PSUs and the Dividend Equivalents are subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan.

5.2 Notices. Notices required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery or upon deposit in the United States mail by certified mail, with postage and fees prepaid, addressed to Participant at his or her address shown in the Company records, and to the Company at its principal executive office.

5.3 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

5.4 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws and, to the extent Applicable Laws permit, will be deemed amended as necessary to conform to Applicable Laws.

5.5 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement will inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in the Plan, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

5.6 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Grant Notice, this Agreement, the PSUs and the Dividend Equivalents will be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3) that are requirements for the application of such exemptive rule. To the extent Applicable Laws permit, this Agreement will be deemed amended as necessary to conform to such applicable exemptive rule.

5.7 Entire Agreement. The Plan, the Grant Notice and this Agreement (including any exhibit and appendix hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, subject to the last sentence of Section 4.9 hereof.

5.8 Section 409A. This Award is not intended to constitute "nonqualified deferred compensation" within the meaning of Section 409A. However, notwithstanding any other provision of the Plan, the Grant Notice or this Agreement, if at any time the Administrator determines that this Award (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify Participant or any other person for failure to do so) to adopt such amendments to the Plan, the Grant Notice or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the

Administrator determines are necessary or appropriate for this Award either to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

5.9 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held illegal or invalid, the provision will be severable from, and the illegality or invalidity of the provision will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

5.10 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and may not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant will have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the PSUs and Dividend Equivalents, and rights no greater than the right to receive cash or shares of Stock as a general unsecured creditor with respect to the PSUs and Dividend Equivalents, as and when settled pursuant to the terms of this Agreement.

5.11 Not a Contract of Employment. Nothing in the Plan, the Grant Notice or this Agreement confers upon Participant any right to continue in the employ or service of the Company or any parent or Subsidiary or interferes with or restricts in any way the rights of the Company and its parents and Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Company or a parent or Subsidiary and Participant.

5.12 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which will be deemed an original and all of which together will constitute one instrument.

## Appendix A

### **Performance Goals**

The performance measure for this Award is the Company's total shareholder return ("**TSR**") as compared to the TSR of a group of peer companies for the Performance Period. TSR combines share price appreciation and dividends paid, with dividends reinvested, to show the total return to the shareholder. The absolute size of the TSR will vary with the stock market, but the relative position to the Company's peers over the Performance Period is the performance metric for this Award.

TSR will be the sum of the Company's ending stock price with dividends reinvested over the Performance Period divided by the Company's beginning stock price. For both the beginning and ending stock prices, the calculation uses the average closing stock price for the last 20 trading days prior to each respective calculation date, provided, however, that for any company which completed its initial public offering during the first year of the Performance Period, the beginning price calculation will reflect the average closing stock price for the first 20 trading days following the initial public offering. The 20-day average price is used instead of the actual closing price on the given date to smooth volatility in the stock price and avoid over reliance on a single trading price.

$$\text{TSR} = \frac{\text{ending stock price} + \text{dividends reinvested during Performance Period}}{\text{beginning stock price}}$$

### **Peer Group**

The following companies are included in the peer group to be used to measure the Company's relative TSR :


Should a peer company cease to exist as a separate publicly-traded company during the Performance Period (due to acquisitions, bankruptcy, etc.), it will nonetheless remain as a member of the Company's peer group for purposes of the payout calculation described below, with any peer company filing for bankruptcy ranked last in the peer group, and any peer company that is acquired ranked based on the stock price at which it was acquired.

### **Payout Calculation**

At the end of the Performance Period, the number of PSUs earned, if any, will be determined based on the Company's TSR relative to the TSR for each of the companies in the peer group over the Performance Period. The Company's TSR is ranked among the peers and the percentile rank is calculated based on the Company's position in the ranking. The payout scale for this Award is detailed in the following table, with linear interpolation used to determine payouts if performance falls between the 25<sup>th</sup> and 90<sup>th</sup> percentile.

<b>Company's Percentile Rank in Peer Group</b>	<b>Shares Earned as a Percent of Target PSUs</b>
<b>90<sup>th</sup> Percentile or Above</b>	200%
<b>75<sup>th</sup> Percentile</b>	175%
<b>50<sup>th</sup> Percentile</b>	100%
<b>25<sup>th</sup> Percentile</b>	50%
<b>Below 25<sup>th</sup> Percentile</b>	0%

Notwithstanding the foregoing, if the Company's TSR is below zero on an absolute basis for the Performance Period, the number of PSUs earned shall not be greater than the number of Target PSUs set forth in the Grant Notice (i.e., the payout shall not be greater than 100%).

If the earned PSUs are being paid in cash, the actual payout under the Plan at the end of the Performance Period will be made as set forth in Section 2.2.

**EXHIBIT B**  
**TO PERFORMANCE RESTRICTED STOCK UNIT GRANT NOTICE**

**PARTNER CONSENT**

As the undersigned spouse, registered domestic partner or civil union partner (each, a "Partner") of Participant, I hereby acknowledge that I have read that certain Performance Restricted Stock Unit Agreement by and between my Partner and the Company and dated as of [\_\_\_\_\_] (the "Agreement"), and that I understand its contents. I am aware that the Agreement imposes certain restrictions on the transfer of the PSUs. I agree that my Partner's interest in the PSUs and the Shares issuable to my Partner pursuant to the PSUs are subject to the Agreement and any interest I may have in the PSUs and the Shares issuable to my Partner pursuant to the PSUs shall be irrevocably bound by the Agreement and further that my community property interest, if any, shall be similarly bound by the Agreement.

I am aware that the legal, financial and other matters contained in the Agreement are complex and I am free to seek advice with respect thereto from independent counsel. I have either sought such advice or determined after carefully reviewing the Agreement and the Plan that I will waive such right.

Capitalized terms used in this consent and not defined herein shall have the meanings given to such terms in the Agreement.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Partner Signature

\_\_\_\_\_  
Partner Name

**PROPETRO HOLDING CORP.  
2017 INCENTIVE AWARD PLAN**

**RESTRICTED STOCK UNIT GRANT NOTICE**

ProPetro Holding Corp., a Delaware corporation (the “Company”), pursuant to its 2017 Incentive Award Plan, as amended from time to time (the “Plan”), hereby grants to the holder listed below (“Participant”) the number of Restricted Stock Units set forth below (the “RSUs”). The RSUs are subject to the terms and conditions set forth in this Restricted Stock Unit Grant Notice (the “Grant Notice”), the Plan and the Restricted Stock Unit Agreement attached as Exhibit A (the “Agreement”), each of which are incorporated into this Grant Notice by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Grant Notice and the Agreement.

**Participant:** [ \_\_\_\_\_ ]  
**Grant Date:** [ \_\_\_\_\_ ], 201 [ ]  
**Number of Restricted Stock Units:** [ \_\_\_\_\_ ]  
**Vesting Commencement Date:** [ \_\_\_\_\_ ], 201 [ ]

**Vesting Schedule:** Subject to the terms of the Agreement, the Restricted Stock Units shall vest in three substantially equal installments on each of the first three anniversaries of the Vesting Commencement Date specified above, such that the Restricted Stock Units will be fully vested on the third anniversary of the Vesting Commencement Date.

By his or her signature, and the Company’s signature below, Participant agrees to be bound by the terms and conditions of the Plan, the Agreement and the Grant Notice. Participant has reviewed the Agreement, the Plan and the Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing the Grant Notice and fully understands all provisions of the Grant Notice, the Agreement and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, the Grant Notice or the Agreement. In connection with the grant of the RSUs, Participant shall cause his or her spouse, civil union partner or registered domestic partner, if any, to execute the consent attached hereto as Exhibit B as soon as practicable following the Grant Date.

**PROPETRO HOLDING CORP. HOLDER:**

**PARTICIPANT**

By: \_\_\_\_\_  
 Print Name: \_\_\_\_\_  
 Title: \_\_\_\_\_

By: \_\_\_\_\_  
 Print Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 \_\_\_\_\_



**EXHIBIT A**  
**TO RESTRICTED STOCK UNIT GRANT NOTICE**

**RESTRICTED STOCK UNIT AGREEMENT**

Pursuant to the Grant Notice to which this Agreement is attached, the Company has granted to Participant the number of RSUs set forth in the Grant Notice.

**ARTICLE I.**

**GENERAL**

1.1 Defined Terms. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice.

1.2 Incorporation of Terms of Plan. The RSUs and the shares of Common Stock (“Stock”) to be issued to Participant hereunder (“Shares”) are subject to the terms and conditions set forth in this Agreement and the Plan, each of which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

**ARTICLE II.**

**AWARD OF RESTRICTED STOCK UNITS AND DIVIDEND EQUIVALENTS**

2.1 Award of RSUs and Dividend Equivalents

(a) In consideration of Participant’s past and/or continued employment with or service to the Company or a Subsidiary and for other good and valuable consideration, effective as of the grant date set forth in the Grant Notice (the “Grant Date”), the Company has granted to Participant the number of RSUs set forth in the Grant Notice, upon the terms and conditions set forth in the Grant Notice, the Plan and this Agreement, subject to adjustments as provided in Article 13 of the Plan. Each RSU represents the right to receive one Share or, at the option of the Company, an amount of cash as set forth in Section 2.3(b), in either case, at the times and subject to the conditions set forth herein. However, unless and until the RSUs have vested, Participant will have no right to the payment of any Shares subject thereto. Prior to the actual delivery of any Shares, the RSUs will represent an unsecured obligation of the Company, payable only from the general assets of the Company.

(b) The Company hereby grants to Participant an Award of Dividend Equivalents with respect to each RSU granted pursuant to the Grant Notice for all ordinary cash dividends which are paid to all or substantially all holders of the outstanding shares of Stock between the Grant Date and the date when the applicable RSU is distributed or paid to Participant or is forfeited or expires. The Dividend Equivalents for each RSU shall be equal to the amount of cash which is paid as a dividend on one share of Stock. All such Dividend Equivalents shall be credited to Participant and be deemed to be reinvested in additional RSUs as of the date of payment of any such dividend based on the Fair Market Value of a share of Stock on such date. Each additional RSU which results from such deemed reinvestment of Dividend Equivalents granted hereunder shall be subject to the same vesting, distribution or payment, adjustment and other provisions which apply to the underlying RSU to which such additional RSU relates.

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## 2.2 Vesting of RSUs and Dividend Equivalents

(a) Subject to Participant's continued employment with or service to the Company or a Subsidiary on each applicable vesting date and subject to the terms of this Agreement, the RSUs shall vest in such amounts and at such times as are set forth in the Grant Notice. Each additional RSU which results from deemed reinvestments of Dividend Equivalents pursuant to Section 2.1(b) hereof shall vest whenever the underlying RSU to which such additional RSU relates vests.

(b) In the event Participant incurs a Termination of Service, except as may be otherwise provided by the Administrator or as set forth in a written agreement between Participant and the Company, Participant shall immediately forfeit any and all RSUs and Dividend Equivalents granted under this Agreement which have not vested or do not vest on or prior to the date on which such Termination of Service occurs, and Participant's rights in any such RSUs and Dividend Equivalents which are not so vested shall lapse and expire.

(c) Notwithstanding the foregoing, in the event Participant incurs a Termination of Service by reason by reason of Participant's death, Retirement or Disability, the Participant will, immediately prior to such Termination of Service, vest in any RSUs that would have become vested had Participant remained employed or in service with the Company or its Subsidiaries until the first anniversary of the date of the Participant's Termination of Service. In addition, in the event the Participant incurs a Termination of Service as a result of a termination by the Company or its Subsidiary without Cause upon or within one year following a Change in Control, all unvested RSUs will become vested immediately prior to such Termination of Service.

(d) For purposes of this Section 2.2, the following definitions shall apply:

(i) "Cause" shall have the same meaning as is provided in any relevant employment agreement between Participant and the Company or its Subsidiaries (each a "Company Group Member" and, collectively, the "Company Group"); provided that, in the absence of such agreement containing such definition, a Company Group Member shall have "Cause" to terminate Participant's employment or services upon: (i) Participant's willful failure to substantially perform his or her duties for a Company Group Member (other than any such failure resulting from Participant's Disability); (ii) Participant's willful failure to carry out, or comply with, in any material respect any lawful directive of the Board; (iii) Participant's commission at any time of any act or omission that results in, or may reasonably be expected to result in, a conviction, plea of no contest, plea of nolo contendere, or imposition of unadjudicated probation for any felony or crime involving moral turpitude; (iv) Participant's unlawful use (including being under the influence) or possession of illegal drugs on a Company Group Member's premises or while performing Participant's duties and responsibilities for a Company Group Member; (v) Participant's commission at any time of any act of fraud, embezzlement, misappropriation, misconduct, conversion of assets of a Company Group Member, or breach of fiduciary duty against a Company Group Member (or any predecessor thereto or successor thereof); or (vi) Participant's material breach of this Agreement or any other agreement with any Company Group Member (including, without limitation, any breach of the restrictive covenants of any such agreement); and which, in the case of clauses (i), (ii) and (vi), continues beyond thirty (30) days after any Company Group Member has provided Participant written notice of such failure or breach (to the extent that, in the reasonable judgment of the Board, such failure or breach

can be cured by Participant). Whether or not an event giving rise to “Cause” occurs will be determined by the Board in its sole discretion.

(ii) “Disability” shall have the meaning ascribed to such term in any relevant employment agreement between Participant and a Company Group Member; provided that, in the absence of such agreement containing such definition, “Disability” shall mean Participant’s inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment.

(iii) “Retirement” shall have the meaning ascribed to such term in any relevant employment agreement between Participant and a Company Group Member; *provided that*, in the absence of such agreement containing such definition, “Retirement” shall mean termination of Participant’s employment by Participant on or following his or her attainment of both (i) age 60 and (ii) ten years of services with the Company Group (together with all predecessors thereto).

### 2.3 Distribution or Payment of RSUs

(a) Participant’s RSUs shall be distributed in Shares (either in book-entry form or otherwise) or, at the option of the Company, paid in an amount of cash as set forth in Section 2.3(b), in either case, as soon as administratively practicable following the vesting of the applicable RSU pursuant to Section 2.2, and, in any event, within sixty (60) days following such vesting. Notwithstanding the foregoing, the Company may delay a distribution or payment in settlement of RSUs if it reasonably determines that such payment or distribution will violate Federal securities laws or any other Applicable Law, *provided* that such distribution or payment shall be made at the earliest date at which the Company reasonably determines that the making of such distribution or payment will not cause such violation, as required by Treasury Regulation Section 1.409A-2(b)(7)(ii), and provided further that no payment or distribution shall be delayed under this Section 2.3(a) if such delay will result in a violation of Section 409A.

(b) In the event that the Company elects to make payment of Participant’s RSUs in cash, the amount of cash payable with respect to each RSU shall be equal to the Fair Market Value of a Share on the day immediately preceding the applicable distribution or payment date set forth in Section 2.3(a). All distributions made in Shares shall be made by the Company in the form of whole Shares, and any fractional share shall be distributed in cash in an amount equal to the value of such fractional share determined based on the Fair Market Value as of the date immediately preceding the date of such distribution.

2.4 Conditions to Issuance of Certificates. The Company shall not be required to issue or deliver any certificate or certificates for any Shares prior to the fulfillment of all of the following conditions: (A) the admission of the Shares to listing on all stock exchanges on which such Shares are then listed, (B) the completion of any registration or other qualification of the Shares under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable, and (C) the obtaining of any approval or other clearance from any state or federal governmental agency that the Administrator shall, in its absolute discretion, determine to be necessary or advisable.

### 2.5 Tax Withholding. Notwithstanding any other provision of this Agreement:

(a) The Company and its Subsidiaries have the authority to deduct or withhold, or require Participant to remit to the Company or the applicable Subsidiary, an amount sufficient to satisfy

applicable federal, state, local and foreign taxes (including the employee portion of any FICA obligation) required by law to be withheld with respect to any taxable event arising pursuant to this Agreement. The Company and its Subsidiaries may withhold or Participant may make such payment in one or more of the forms specified below:

(i) by cash or check made payable to the Company or the Subsidiary with respect to which the withholding obligation arises;

(ii) by the deduction of such amount from other compensation payable to Participant;

(iii) with respect to any withholding taxes arising in connection with the distribution of the RSUs, with the consent of the Administrator, by requesting that the Company and its Subsidiaries withhold a net number of vested shares of Stock otherwise issuable pursuant to the RSUs having a then current Fair Market Value not exceeding the amount necessary to satisfy the withholding obligation of the Company and its Subsidiaries based on the applicable statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes;

(iv) with respect to any withholding taxes arising in connection with the distribution of the RSUs, with the consent of the Administrator, by tendering to the Company vested shares of Stock having a then current Fair Market Value not exceeding the amount necessary to satisfy the withholding obligation of the Company and its Subsidiaries based on the applicable statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes;

(v) with respect to any withholding taxes arising in connection with the distribution of the RSUs, through the delivery of a notice that Participant has placed a market sell order with a broker acceptable to the Company with respect to shares of Stock then issuable to Participant pursuant to the RSUs, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company or the Subsidiary with respect to which the withholding obligation arises in satisfaction of such withholding taxes; *provided* that payment of such proceeds is then made to the Company or the applicable Subsidiary at such time as may be required by the Administrator, but in any event not later than the settlement of such sale; or

(vi) in any combination of the foregoing.

(b) With respect to any withholding taxes arising in connection with the RSUs, in the event Participant fails to provide timely payment of all sums required pursuant to Section 2.5(a), the Company shall have the right and option, but not the obligation, to treat such failure as an election by Participant to satisfy all or any portion of Participant's required payment obligation pursuant to Section 2.5(a)(ii) or Section 2.5(a)(iii) above, or any combination of the foregoing as the Company may determine to be appropriate. The Company shall not be obligated to deliver any certificate representing shares of Stock issuable with respect to the RSUs to Participant or his or her legal representative unless and until Participant or his or her legal representative shall have paid or otherwise satisfied in full the amount of all federal, state, local and foreign taxes applicable with respect to the taxable income of Participant resulting from the vesting or settlement of the RSUs or any other taxable event related to the RSUs.

(c) In the event any tax withholding obligation arising in connection with the RSUs will be satisfied under Section 2.5(a)(iii), then the Company may elect to instruct any brokerage firm determined acceptable to the Company for such purpose to sell on Participant's behalf a whole number of shares from those shares of Stock then issuable to Participant pursuant to the RSUs as the Company determines

to be appropriate to generate cash proceeds sufficient to satisfy the tax withholding obligation and to remit the proceeds of such sale to the Company or the Subsidiary with respect to which the withholding obligation arises. Participant's acceptance of this Award constitutes Participant's instruction and authorization to the Company and such brokerage firm to complete the transactions described in this Section 2.5(c), including the transactions described in the previous sentence, as applicable. The Company may refuse to issue any shares of Stock in settlement of the RSUs to Participant until the foregoing tax withholding obligations are satisfied, provided that no payment shall be delayed under this Section 2.5(c) if such delay will result in a violation of Section 409A of the Code.

(d) Participant is ultimately liable and responsible for all taxes owed in connection with the RSUs, regardless of any action the Company or any Subsidiary takes with respect to any tax withholding obligations that arise in connection with the RSUs. Neither the Company nor any Subsidiary makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or payment of the RSUs or the subsequent sale of Shares. The Company and the Subsidiaries do not commit and are under no obligation to structure the RSUs to reduce or eliminate Participant's tax liability.

2.6 Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares (which may be in book-entry form) will have been issued and recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant (including through electronic delivery to a brokerage account). Except as otherwise provided herein, after such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to such Shares, including, without limitation, the right to receipt of dividends and distributions on such Shares.

### **ARTICLE III. RESTRICTIVE COVENANTS**

3.1 Restriction on Competition. Participant hereby agrees that Participant shall not, at any time during the Noncompetition Restricted Period, directly or indirectly engage in, have any interest in (including, without limitation, through the investment of capital or lending of money or property), or manage, operate or otherwise render any services to, any Person (whether on his own or in association with others, as a principal, director, officer, employee, agent, representative, partner, member, security holder, consultant, advisor, independent contractor, owner, investor, participant or in any other capacity) that engages in (either directly or through any Subsidiary or Affiliate thereof) any business or activity, within any of the states or territories within the United States or any other country, territory or state in which the Company Group operates, (i) that creates, designs, invents, engineers, develops, sources, markets, manufactures, distributes or sells any product or provides any service that may be used as a substitute for or otherwise competes with any product or service of the Company Group, or (ii) which the Company Group or any of its Affiliates has taken active steps to engage in or acquire, but only if Participant directly or indirectly engages in, has any interest in (including, without limitation, through the investment of capital or lending of money or property), or manages, operates or otherwise renders any services in connection with, such business or activity (whether on his own or in association with others, as a principal, director, officer, employee, agent, representative, partner, member, security holder, consultant, advisor, independent contractor, owner, investor, participant or in any other capacity). Notwithstanding the foregoing, Participant shall be permitted to acquire a passive stock or equity interest in such a business; provided that such stock or other equity interest acquired is not more than five percent (5%) of the outstanding interest in such business.

3.2 Non-Solicitation. Participant hereby agrees that Participant shall not, at any time during the Nonsolicitation Restricted Period, directly or indirectly, either for Participant or on behalf of any other Person, (i) recruit or otherwise solicit or induce any employee, customer or supplier of the Company Group to terminate his, her or its employment or arrangement with the Company Group, or otherwise change his, her or its relationship with the Company Group, or (ii) hire, or cause to be hired, any person who was employed by the Company Group at any time during the twelve (12)-month period immediately prior to date of Participant's Termination of Service or who thereafter becomes employed by the Company Group.

3.3 Confidentiality. Except as Participant reasonably and in good faith determines to be required in the faithful performance of Participant's duties for the Company Group or in accordance with Section 3.5, Participant shall, during the Participant's period of service with the Company Group and after the Cessation Date, maintain in confidence and shall not directly or indirectly, use, disseminate, disclose or publish, for Participant's benefit or the benefit of any other Person, any confidential or proprietary information or trade secrets of or relating to the Company Group, including, without limitation, information with respect to the Company Group's operations, processes, protocols, products, inventions, business practices, finances, principals, vendors, suppliers, customers, potential customers, marketing methods, costs, prices, contractual relationships, regulatory status, compensation paid to employees or other terms of employment ("Proprietary Information"), or deliver to any Person, any document, record, notebook, computer program or similar repository of or containing any such Proprietary Information. Participant's obligation to maintain and not use, disseminate, disclose or publish, or use for Participant's benefit or the benefit of any other Person, any Proprietary Information after the Cessation Date will continue so long as such Proprietary Information is not, or has not by legitimate means become, generally known and in the public domain (other than by means of Participant's direct or indirect disclosure of such Proprietary Information) and continues to be maintained as Proprietary Information by the Company Group. The parties hereby stipulate and agree that as between them, the Proprietary Information identified herein is important, material and affects the successful conduct of the businesses of the Company Group (and any successor or assignee of the Company Group). In accordance with 18 U.S.C. Section 1833, the Company hereby notifies Participant that, notwithstanding anything to the contrary herein, (a) Participant shall not be in breach of this Section 3.3 and shall not be held criminally or civilly liable under any federal or state trade secret law (i) for the disclosure of a trade secret that is made in confidence to a federal, state or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (ii) for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal, and (b) if Participant files a lawsuit for retaliation by the Company Group for reporting a suspected violation of law, Participant may disclose a trade secret to Participant's attorney, and may use trade secret information in the court proceeding, if Participant files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

3.4 Return of Company Group Property. Upon Participant's Termination of Service for any reason, Participant will promptly deliver to the Company Group (i) all correspondence, drawings, manuals, letters, notes, notebooks, reports, programs, plans, proposals, financial documents, or any other documents that are Proprietary Information, including all physical and digital copies thereof, and (ii) all other Company Group property (including, without limitation, any personal computer or wireless device and related accessories, keys, credit cards and other similar items) which is in his or her possession, custody or control.

3.5 Response to Subpoena; Whistleblower Protection. Participant may respond to a lawful and valid subpoena or other legal process but shall give the Company Group the earliest possible notice thereof, and shall, as much in advance of the return date as possible, make available to the Company Group and its counsel the documents and other information sought, and shall assist such counsel in resisting or otherwise responding to such process. Notwithstanding anything to the contrary contained herein, no provision of this

Agreement shall be interpreted so as to impede Participant (or any other individual) from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures under the whistleblower provisions of federal law or regulation. Participant does not need the prior authorization of the Company Group to make any such reports or disclosures and Participant shall not be not required to notify the Company Group that such reports or disclosures have been made.

3.6 Non-Disparagement. Participant agrees not to disparage the Company Group, any of its products or practices, or any of its directors, officers, agents, representatives, partners, members, equity holders or Affiliates, either orally or in writing, at any time; *provided* that Participant may confer in confidence with Participant's legal representatives and make truthful statements as required by law.

3.7 Restrictions Upon Subsequent Employment. Prior to accepting other employment or any other service relationship during the Noncompetition Restricted Period, Participant shall provide a copy of this Article III to any recruiter who assists Participant in obtaining other employment or any other service relationship and to any employer or other Person with which Participant discusses potential employment or any other service relationship.

3.8 Enforcement. In the event the terms of this Article III shall be determined by any court of competent jurisdiction to be unenforceable by reason of its extending for too great a period of time or over too great a geographical area or by reason of its being too extensive in any other respect, it will be interpreted to extend only over the maximum period of time for which it may be enforceable, over the maximum geographical area as to which it may be enforceable, or to the maximum extent in all other respects as to which it may be enforceable, all as determined by such court in such action. Any breach or violation by Participant of the provisions of this Article III shall toll the running of any time periods set forth in this Article III for the duration of any such breach or violation.

3.9 Forfeiture Upon Violation. Notwithstanding any other provision of this Agreement that may provide to the contrary, in the event of Participant's violation of any restrictive covenant within this Article III or any other agreement by and between Participant and any Company Group Member, as determined by the Company, in its sole discretion, then (a) the RSUs shall immediately be terminated and forfeited in its entirety and (b) Participant shall pay to the Company in cash any amounts paid to Participant in respect of the RSUs during the 12-month period immediately preceding (or at any time after) the date of such violation. By accepting these RSUs, Participant hereby acknowledges, agrees and authorizes the Company to reduce any amounts owed by any Company Group Member (including amounts owed as wages or other compensation, fringe benefits, or vacation pay, as well as any other amounts owed to Participant by any Company Group Member), by the amounts Participant owes to the Company under this Section 3.9. To the extent such amounts are not recovered by the Company through such set-off, Participant agrees to pay such amounts immediately to the Company upon demand. This right of set-off is in addition to any other remedies the Company may have against Participant for Participant's breach of this Agreement or any other agreement. Participant's obligations under this Section 3.9 shall be cumulative (but not duplicative) of any similar obligations Participant may have pursuant to this Agreement or any other agreement with any Company Group Member.

3.10 Injunctive Relief. Participant recognizes and acknowledges that a breach of the covenants contained in this Article III will cause irreparable damage to the Company Group and its goodwill, the exact amount of which will be difficult or impossible to ascertain, and that the remedies at law for any such breach will be inadequate. Accordingly, Participant agrees that in the event of a breach of any of the covenants

contained in this Article III, in addition to any other remedy which may be available at law or in equity, the Company Group will be entitled to specific performance and injunctive relief.

3.11 Special Definition. As used in this Article III, the following terms shall have the ascribed meanings:

(a) “Affiliate” shall mean, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with, such Person where “control” shall have the meaning given such term under Rule 405 of the Securities Act.

(b) “Cessation Date” shall mean the date of Participant’s Termination of Service (regardless of the reason for such termination).

(c) “Noncompetition Restricted Period” shall mean the period from the Grant Date through the first (1st) anniversary of the Cessation Date.

(d) “Nonsolicitation Restricted Period” shall mean the period from the Grant Date through the second (2nd) anniversary of the Cessation Date.

## ARTICLE IV.

### OTHER PROVISIONS

4.1 Administration. The Administrator shall have the power to interpret the Plan, the Grant Notice and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan, the Grant Notice and this Agreement as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator will be final and binding upon Participant, the Company and all other interested Persons. To the extent allowable pursuant to Applicable Law, no member of the Committee or the Board will be personally liable for any action, determination or interpretation made with respect to the Plan, the Grant Notice or this Agreement.

4.2 RSUs Not Transferable. The RSUs may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the Shares underlying the RSUs have been issued, and all restrictions applicable to such Shares have lapsed. No RSUs or any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

4.3 Adjustments. The Administrator may accelerate the vesting of all or a portion of the RSUs in such circumstances as it, in its sole discretion, may determine. Participant acknowledges that the RSUs and the Shares subject to the RSUs are subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan, including Section 13.2 of the Plan.

4.4 Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company’s principal office, and any notice to be given to Participant shall be addressed to Participant at Participant’s last address reflected on the Company’s records. By a notice given pursuant to this Section 4.4, either party may hereafter designate



a different address for notices to be given to that party. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

4.5 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

4.6 Governing Law. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

4.7 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws, including, without limitation, the provisions of the Securities Act and the Exchange Act, and any and all regulations and rules promulgated thereunder by the Securities and Exchange Commission and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the RSUs are granted, only in such a manner as to conform to Applicable Law. To the extent permitted by Applicable Law, the Plan, the Grant Notice and this Agreement shall be deemed amended to the extent necessary to conform to Applicable Law.

4.8 Amendment, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board, *provided that*, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the RSUs in any material way without the prior written consent of Participant.

4.9 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in Section 4.2 and the Plan, this Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

4.10 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the RSUs (including RSUs which result from the deemed reinvestment of Dividend Equivalents), the Dividend Equivalents, the Grant Notice and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

4.11 Not a Contract of Employment. Nothing in this Agreement or in the Plan shall confer upon Participant any right to continue to serve as an employee or other service provider of the Company or any of its Subsidiaries shall interfere with or restrict in any way the rights of the Company or any of its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without Cause, (as such term is defined in the sole discretion of the Administrator) except to the extent expressly provided otherwise in a written agreement between the Company or any of its Subsidiaries and Participant.

4.12 Entire Agreement. The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

4.13 Section 409A. This Award is not intended to constitute “nonqualified deferred compensation” within the meaning of Section 409A. However, notwithstanding any other provision of the Plan, the Grant Notice or this Agreement, if at any time the Administrator determines that this Award (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify Participant or any other person for failure to do so) to adopt such amendments to the Plan, the Grant Notice or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate for this Award either to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

4.14 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

4.15 Limitation on Participant’s Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the RSUs and Dividend Equivalents.

4.16 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which shall be deemed an original and all of which together shall constitute one instrument.

4.17 Broker-Assisted Sales. In the event of any broker-assisted sale of shares of Stock in connection with the payment of withholding taxes as provided in Section 2.5(a)(iii) or Section 2.5(a)(v): (A) any shares of Stock to be sold through a broker-assisted sale will be sold on the day the tax withholding obligation arises or as soon thereafter as practicable; (B) such shares of Stock may be sold as part of a block trade with other participants in the Plan in which all participants receive an average price; (C) Participant will be responsible for all broker’s fees and other costs of sale, and Participant agrees to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale; (D) to the extent the proceeds of such sale exceed the applicable tax withholding obligation, the Company agrees to pay such excess in cash to Participant as soon as reasonably practicable; (E) Participant acknowledges that the Company or its designee is under no obligation to arrange for such sale at any particular price, and that the proceeds of any such sale may not be sufficient to satisfy the applicable tax withholding obligation; and (F) in the event the proceeds of such sale are insufficient to satisfy the applicable tax withholding obligation, Participant agrees to pay immediately upon demand to the Company or its Subsidiary with respect to which the withholding obligation arises an amount in cash sufficient to satisfy any remaining portion of the Company’s or the applicable Subsidiary’s withholding obligation.

\* \* \*

**EXHIBIT B**  
**TO RESTRICTED STOCK UNIT GRANT NOTICE**

**PARTNER CONSENT**

As the undersigned spouse, registered domestic partner or civil union partner (each, a "Partner") of Participant, I hereby acknowledge that I have read that certain Restricted Stock Unit Agreement by and between my Partner and the Company and dated as of [\_\_\_\_\_] (the "Agreement"), and that I understand its contents. I am aware that the Agreement imposes certain restrictions on the transfer of the RSUs. I agree that my Partner's interest in the RSUs and the Shares issuable to my Partner pursuant to the RSUs are subject to the Agreement and any interest I may have in the RSUs and the Shares issuable to my Partner pursuant to the RSUs shall be irrevocably bound by the Agreement and further that my community property interest, if any, shall be similarly bound by the Agreement.

I am aware that the legal, financial and other matters contained in the Agreement are complex and I am free to seek advice with respect thereto from independent counsel. I have either sought such advice or determined after carefully reviewing the Agreement and the Plan that I will waive such right.

Capitalized terms used in this consent and not defined herein shall have the meanings given to such terms in the Agreement.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Partner Signature

\_\_\_\_\_  
Partner Name

**PROPETRO HOLDING CORP.  
2017 INCENTIVE AWARD PLAN**

**FORM OF DIRECTOR RESTRICTED STOCK UNIT GRANT NOTICE**

ProPetro Holding Corp., a Delaware corporation (the "Company"), pursuant to its 2017 Incentive Award Plan, as amended from time to time (the "Plan"), hereby grants to the holder listed below ("Participant") the number of Restricted Stock Units set forth below (the "RSUs"). The RSUs are subject to the terms and conditions set forth in this Restricted Stock Unit Grant Notice (the "Grant Notice"), the Plan and the Restricted Stock Unit Agreement attached as Exhibit A (the "Agreement"), each of which are incorporated into this Grant Notice by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Grant Notice and the Agreement.

**Participant:** [ ]

**Grant Date:** [ ]

**Number of Restricted Stock Units:** [ ]

**Vesting Schedule:** Subject to the terms of the Agreement, the Restricted Stock Units shall vest in full on the earlier of (i) the day immediately preceding the date of the first Annual Meeting following the date of grant and (ii) the first anniversary of the date of grant.

By his or her signature, and the Company's signature below, Participant agrees to be bound by the terms and conditions of the Plan, the Agreement and the Grant Notice. Participant has reviewed the Agreement, the Plan and the Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing the Grant Notice and fully understands all provisions of the Grant Notice, the Agreement and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, the Grant Notice or the Agreement. In connection with the grant of the RSUs, Participant shall cause his or her spouse, civil union partner or registered domestic partner, if any, to execute the consent attached hereto as Exhibit B as soon as practicable following the Grant Date.

**PROPETRO HOLDING CORP. HOLDER:**

**PARTICIPANT**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

**EXHIBIT A**  
**TO RESTRICTED STOCK UNIT GRANT NOTICE**

**RESTRICTED STOCK UNIT AGREEMENT**

Pursuant to the Grant Notice to which this Agreement is attached, the Company has granted to Participant the number of RSUs set forth in the Grant Notice.

**ARTICLE I.**

**GENERAL**

1.1 **Defined Terms.** Capitalized terms not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice.

1.2 **Incorporation of Terms of Plan.** The RSUs and the shares of Common Stock ("**Stock**") to be issued to Participant hereunder ("**Shares**") are subject to the terms and conditions set forth in this Agreement and the Plan, each of which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

**ARTICLE II.**

**AWARD OF RESTRICTED STOCK UNITS AND DIVIDEND EQUIVALENTS**

2.1 **Award of RSUs and Dividend Equivalents**

(a) In consideration of Participant's past and/or continued employment with or service to the Company or a Subsidiary and for other good and valuable consideration, effective as of the grant date set forth in the Grant Notice (the "**Grant Date**"), the Company has granted to Participant the number of RSUs set forth in the Grant Notice, upon the terms and conditions set forth in the Grant Notice, the Plan and this Agreement, subject to adjustments as provided in Article 13 of the Plan. Each RSU represents the right to receive one Share or, at the option of the Company, an amount of cash as set forth in Section 2.3(b), in either case, at the times and subject to the conditions set forth herein. However, unless and until the RSUs have vested, Participant will have no right to the payment of any Shares subject thereto. Prior to the actual delivery of any Shares, the RSUs will represent an unsecured obligation of the Company, payable only from the general assets of the Company.

(b) The Company hereby grants to Participant an Award of Dividend Equivalents with respect to each RSU granted pursuant to the Grant Notice for all ordinary cash dividends which are paid to all or substantially all holders of the outstanding shares of Stock between the Grant Date and the date when the applicable RSU is distributed or paid to Participant or is forfeited or expires. The Dividend Equivalents for each RSU shall be equal to the amount of cash which is paid as a dividend on one share of Stock. All such Dividend Equivalents shall be credited to Participant and be deemed to be reinvested in additional RSUs as of the date of payment of any such dividend based on the Fair Market Value of a share of Stock on such date. Each additional RSU which results from such deemed reinvestment of Dividend Equivalents granted hereunder shall be subject to the same vesting, distribution or payment, adjustment and other provisions which apply to the underlying RSU to which such additional RSU relates.

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## 2.2 Vesting of RSUs and Dividend Equivalents

(a) Subject to Participant's continued employment with or service to the Company or a Subsidiary on each applicable vesting date and subject to the terms of this Agreement, the RSUs shall vest in such amounts and at such times as are set forth in the Grant Notice. Each additional RSU which results from deemed reinvestments of Dividend Equivalents pursuant to Section 2.1(b) hereof shall vest whenever the underlying RSU to which such additional RSU relates vests.

(b) In the event Participant incurs a Termination of Service, except as may be otherwise provided by the Administrator or as set forth in a written agreement between Participant and the Company, Participant shall immediately forfeit any and all RSUs and Dividend Equivalents granted under this Agreement which have not vested or do not vest on or prior to the date on which such Termination of Service occurs, and Participant's rights in any such RSUs and Dividend Equivalents which are not so vested shall lapse and expire.

(c) Notwithstanding the foregoing, in the event Participant incurs a Termination of Service by reason by reason of Participant's death or Disability, the Participant will, immediately prior to such Termination of Service, vest in any RSUs that would have become vested had Participant remained employed or in service with the Company or its Subsidiaries until the first anniversary of the date of the Participant's Termination of Service. In addition, in the event of a Change in Control, all unvested RSUs will become become vested immediately.

(d) For purposes of this Section 2.2, the following definition shall apply:

(i) "Disability" shall have the meaning ascribed to such term in any relevant employment agreement between Participant and a Company Group Member; provided that, in the absence of such agreement containing such definition, "Disability" shall mean Participant's inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment.

## 2.3 Distribution or Payment of RSUs

(a) Participant's RSUs shall be distributed in Shares (either in book-entry form or otherwise) or, at the option of the Company, paid in an amount of cash as set forth in Section 2.3(b), in either case, as soon as administratively practicable following the vesting of the applicable RSU pursuant to Section 2.2, and, in any event, within sixty (60) days following such vesting. Notwithstanding the foregoing, the Company may delay a distribution or payment in settlement of RSUs if it reasonably determines that such payment or distribution will violate Federal securities laws or any other Applicable Law, *provided* that such distribution or payment shall be made at the earliest date at which the Company reasonably determines that the making of such distribution or payment will not cause such violation, as required by Treasury Regulation Section 1.409A-2(b)(7)(ii), and provided further that no payment or distribution shall be delayed under this Section 2.3(a) if such delay will result in a violation of Section 409A.

(b) In the event that the Company elects to make payment of Participant's RSUs in cash, the amount of cash payable with respect to each RSU shall be equal to the Fair Market Value of a Share on the day immediately preceding the applicable distribution or payment date set forth in Section 2.3(a). All distributions made in Shares shall be made by the Company in the form of whole Shares, and any fractional share shall be distributed in cash in an amount equal to the value of such fractional share determined based on the Fair Market Value as of the date immediately preceding the date of such distribution.

2.4 Conditions to Issuance of Certificates. The Company shall not be required to issue or deliver any certificate or certificates for any Shares prior to the fulfillment of all of the following conditions: (A) the admission of the Shares to listing on all stock exchanges on which such Shares are then listed, (B) the completion of any registration or other qualification of the Shares under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable, and (C) the obtaining of any approval or other clearance from any state or federal governmental agency that the Administrator shall, in its absolute discretion, determine to be necessary or advisable.

2.5 Tax Withholding. Notwithstanding any other provision of this Agreement:

(a) The Company and its Subsidiaries have the authority to deduct or withhold, or require Participant to remit to the Company or the applicable Subsidiary, an amount sufficient to satisfy applicable federal, state, local and foreign taxes (including the employee portion of any FICA obligation) required by law to be withheld with respect to any taxable event arising pursuant to this Agreement. The Company and its Subsidiaries may withhold or Participant may make such payment in one or more of the forms specified below:

(i) by cash or check made payable to the Company or the Subsidiary with respect to which the withholding obligation arises;

(ii) by the deduction of such amount from other compensation payable to Participant;

(iii) with respect to any withholding taxes arising in connection with the distribution of the RSUs, with the consent of the Administrator, by requesting that the Company and its Subsidiaries withhold a net number of vested shares of Stock otherwise issuable pursuant to the RSUs having a then current Fair Market Value not exceeding the amount necessary to satisfy the withholding obligation of the Company and its Subsidiaries based on the applicable statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes;

(iv) with respect to any withholding taxes arising in connection with the distribution of the RSUs, with the consent of the Administrator, by tendering to the Company vested shares of Stock having a then current Fair Market Value not exceeding the amount necessary to satisfy the withholding obligation of the Company and its Subsidiaries based on the applicable statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes;

(v) with respect to any withholding taxes arising in connection with the distribution of the RSUs, through the delivery of a notice that Participant has placed a market sell order with a broker acceptable to the Company with respect to shares of Stock then issuable to Participant pursuant to the RSUs, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company or the Subsidiary with respect to which the withholding obligation arises in satisfaction of such withholding taxes; *provided* that payment of such proceeds is then made to the Company or the applicable Subsidiary at such time as may be required by the Administrator, but in any event not later than the settlement of such sale; or

(vi) in any combination of the foregoing.

(b) With respect to any withholding taxes arising in connection with the RSUs, in the event Participant fails to provide timely payment of all sums required pursuant to Section 2.5(a), the Company

shall have the right and option, but not the obligation, to treat such failure as an election by Participant to satisfy all or any portion of Participant's required payment obligation pursuant to Section 2.5(a)(ii) or Section 2.5(a)(iii) above, or any combination of the foregoing as the Company may determine to be appropriate. The Company shall not be obligated to deliver any certificate representing shares of Stock issuable with respect to the RSUs to Participant or his or her legal representative unless and until Participant or his or her legal representative shall have paid or otherwise satisfied in full the amount of all federal, state, local and foreign taxes applicable with respect to the taxable income of Participant resulting from the vesting or settlement of the RSUs or any other taxable event related to the RSUs.

(c) In the event any tax withholding obligation arising in connection with the RSUs will be satisfied under Section 2.5(a)(iii), then the Company may elect to instruct any brokerage firm determined acceptable to the Company for such purpose to sell on Participant's behalf a whole number of shares from those shares of Stock then issuable to Participant pursuant to the RSUs as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy the tax withholding obligation and to remit the proceeds of such sale to the Company or the Subsidiary with respect to which the withholding obligation arises. Participant's acceptance of this Award constitutes Participant's instruction and authorization to the Company and such brokerage firm to complete the transactions described in this Section 2.5(c), including the transactions described in the previous sentence, as applicable. The Company may refuse to issue any shares of Stock in settlement of the RSUs to Participant until the foregoing tax withholding obligations are satisfied, provided that no payment shall be delayed under this Section 2.5(c) if such delay will result in a violation of Section 409A of the Code.

(d) Participant is ultimately liable and responsible for all taxes owed in connection with the RSUs, regardless of any action the Company or any Subsidiary takes with respect to any tax withholding obligations that arise in connection with the RSUs. Neither the Company nor any Subsidiary makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or payment of the RSUs or the subsequent sale of Shares. The Company and the Subsidiaries do not commit and are under no obligation to structure the RSUs to reduce or eliminate Participant's tax liability.

2.6 Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares (which may be in book-entry form) will have been issued and recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant (including through electronic delivery to a brokerage account). Except as otherwise provided herein, after such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to such Shares, including, without limitation, the right to receipt of dividends and distributions on such Shares.

### **ARTICLE III.**

#### **OTHER PROVISIONS**

3.1 Administration. The Administrator shall have the power to interpret the Plan, the Grant Notice and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan, the Grant Notice and this Agreement as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator will be final and binding upon Participant, the Company and all other interested Persons. To the extent allowable pursuant to Applicable Law, no member of the Committee or the Board will be personally liable for any action, determination or interpretation made with respect to the Plan, the Grant Notice or this Agreement.



3.2 RSUs Not Transferable. The RSUs may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the Shares underlying the RSUs have been issued, and all restrictions applicable to such Shares have lapsed. No RSUs or any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

3.3 Adjustments The Administrator may accelerate the vesting of all or a portion of the RSUs in such circumstances as it, in its sole discretion, may determine. Participant acknowledges that the RSUs and the Shares subject to the RSUs are subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan, including Section 13.2 of the Plan..

3.4 Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to Participant shall be addressed to Participant at Participant's last address reflected on the Company's records. By a notice given pursuant to this Section 3.4, either party may hereafter designate a different address for notices to be given to that party. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

3.5 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

3.6 Governing Law. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

3.7 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws, including, without limitation, the provisions of the Securities Act and the Exchange Act, and any and all regulations and rules promulgated thereunder by the Securities and Exchange Commission and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the RSUs are granted, only in such a manner as to conform to Applicable Law. To the extent permitted by Applicable Law, the Plan, the Grant Notice and this Agreement shall be deemed amended to the extent necessary to conform to Applicable Law.

3.8 Amendment, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board, *provided* that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the RSUs in any material way without the prior written consent of Participant.

3.9 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in Section 4.2 and the Plan, this Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

3.10 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the RSUs (including RSUs which result from the deemed reinvestment of Dividend Equivalents), the Dividend Equivalents, the Grant Notice and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

3.11 Not a Contract of Employment. Nothing in this Agreement or in the Plan shall confer upon Participant any right to continue to serve as an employee or other service provider of the Company or any of its Subsidiaries shall interfere with or restrict in any way the rights of the Company or any of its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without Cause, (as such term is defined in the sole discretion of the Administrator) except to the extent expressly provided otherwise in a written agreement between the Company or any of its Subsidiaries and Participant.

3.12 Entire Agreement. The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

3.13 Section 409A. This Award is not intended to constitute “nonqualified deferred compensation” within the meaning of Section 409A. However, notwithstanding any other provision of the Plan, the Grant Notice or this Agreement, if at any time the Administrator determines that this Award (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify Participant or any other person for failure to do so) to adopt such amendments to the Plan, the Grant Notice or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate for this Award either to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

3.14 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

3.15 Limitation on Participant’s Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the RSUs and Dividend Equivalents.

3.16 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which shall be deemed an original and all of which together shall constitute one instrument.

3.17 Broker-Assisted Sales. In the event of any broker-assisted sale of shares of Stock in connection with the payment of withholding taxes as provided in Section 2.5(a)(iii) or Section 2.5(a)(v): (A) any shares of Stock to be sold through a broker-assisted sale will be sold on the day the tax withholding obligation arises or as soon thereafter as practicable; (B) such shares of Stock may be sold as part of a block

trade with other participants in the Plan in which all participants receive an average price; (C) Participant will be responsible for all broker's fees and other costs of sale, and Participant agrees to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale; (D) to the extent the proceeds of such sale exceed the applicable tax withholding obligation, the Company agrees to pay such excess in cash to Participant as soon as reasonably practicable; (E) Participant acknowledges that the Company or its designee is under no obligation to arrange for such sale at any particular price, and that the proceeds of any such sale may not be sufficient to satisfy the applicable tax withholding obligation; and (F) in the event the proceeds of such sale are insufficient to satisfy the applicable tax withholding obligation, Participant agrees to pay immediately upon demand to the Company or its Subsidiary with respect to which the withholding obligation arises an amount in cash sufficient to satisfy any remaining portion of the Company's or the applicable Subsidiary's withholding obligation.

\* \* \*

**EXHIBIT B**  
**TO RESTRICTED STOCK UNIT GRANT NOTICE**

**PARTNER CONSENT**

As the undersigned spouse, registered domestic partner or civil union partner (each, a "Partner") of Participant, I hereby acknowledge that I have read that certain Restricted Stock Unit Agreement by and between my Partner and the Company and dated as of [\_\_\_\_\_] (the "Agreement"), and that I understand its contents. I am aware that the Agreement imposes certain restrictions on the transfer of the RSUs. I agree that my Partner's interest in the RSUs and the Shares issuable to my Partner pursuant to the RSUs are subject to the Agreement and any interest I may have in the RSUs and the Shares issuable to my Partner pursuant to the RSUs shall be irrevocably bound by the Agreement and further that my community property interest, if any, shall be similarly bound by the Agreement.

I am aware that the legal, financial and other matters contained in the Agreement are complex and I am free to seek advice with respect thereto from independent counsel. I have either sought such advice or determined after carefully reviewing the Agreement and the Plan that I will waive such right.

Capitalized terms used in this consent and not defined herein shall have the meanings given to such terms in the Agreement.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Partner Signature

\_\_\_\_\_  
Partner Name

**CERTIFICATION BY PRINCIPAL EXECUTIVE OFFICER**

I, Dale Redman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ProPetro Holding Corp.;
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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) 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
  - (c) 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 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.

Dated: August 10, 2017

/s/ Dale Redman

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Dale Redman, Chief Executive Officer and Director  
(Principal Executive Officer)

**CERTIFICATION BY PRINCIPAL FINANCIAL OFFICER**

I, Jeffrey Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ProPetro Holding Corp.;
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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) 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
  - (c) 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 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.

Dated: August 10, 2017

/s/ Jeffrey Smith

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Jeffrey Smith, Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION 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 of ProPetro Holding Corp. (the "Company") on Form 10-Q for the quarter ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dale Redman, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 10, 2017

/s/ Dale Redman  
Dale Redman, Chief Executive Officer and Director  
(Principal Executive Officer)

**CERTIFICATION 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 of ProPetro Holding Corp. (the "Company") on Form 10-Q for the quarter ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey Smith, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 10, 2017

/s/ Jeffrey Smith  
Jeffrey Smith, Chief Financial Officer  
(Principal Financial Officer)