

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

FORM 10-Q

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

For the quarterly period ended **March 31, 2021**

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**

ProPetro Holding Corp.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

1706 South Midkiff,
Midland, Texas 79701
(Address of principal executive offices)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	PUMP	New York Stock Exchange
Preferred Stock Purchase Rights	N/A	New York Stock Exchange

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period 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 May 3, 2021, was 102,280,331.

PROPETRO HOLDING CORP.

TABLE OF CONTENTS

	<u>Page</u>
Cautionary Note Regarding Forward-Looking Statements	ii
<u>PART I – FINANCIAL INFORMATION</u>	
Item 1. Financial Statements (Unaudited)	
Condensed Consolidated Balance Sheets as of March 31, 2021 and December 31, 2020	1
Condensed Consolidated Statements of Operations for the three months ended March 31, 2021 and 2020	2
Condensed Consolidated Statements of Shareholders' Equity for the three months ended March 31, 2021 and 2020	3
Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2021 and 2020	4
Notes to Condensed Consolidated Financial Statements	5
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	17
Item 3. Quantitative and Qualitative Disclosures About Market Risk	26
Item 4. Controls and Procedures	27
<u>PART II – OTHER INFORMATION</u>	
Item 1. Legal Proceedings	28
Item 1A. Risk Factors	28
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	28
Item 3. Defaults Upon Senior Securities	28
Item 4. Mine Safety Disclosures	28
Item 5. Other Information	28
Item 6. Exhibits	29
Signatures	30

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Form 10-Q") contains forward-looking statements that are intended to be covered by the safe harbor provided by the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts contained in this Form 10-Q are forward-looking statements within the meaning of Section 21E of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements are all statements other than statements of historical facts, and give our expectations or forecasts of future events as of the effective date of this Form 10-Q. Words such as "may," "could," "plan," "project," "budget," "predict," "pursue," "target," "seek," "objective," "believe," "expect," "anticipate," "intend," "estimate," "will," "should" and similar expressions are generally 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 severity and duration of world health events, including the outbreak of the novel coronavirus ("COVID-19") pandemic, related economic repercussions and the resulting severe disruption in the oil and gas industry and negative impact on demand for oil and gas, which is negatively impacting our business;
- the current significant surplus in the supply of oil and actions by the members of the Organization of the Petroleum Exporting Countries ("OPEC") and Russia (together with OPEC and other allied producing countries, "OPEC+") with respect to oil production levels and announcements of potential changes in such levels, including the ability of the OPEC+ countries to agree on and comply with supply limitations;
- uncertainty regarding the timing, pace and extent of an economic recovery in the United States and elsewhere, which in turn will likely affect demand for crude oil and natural gas and therefore the demand for our services;
- the level of production and resulting market prices for crude oil, natural gas and other hydrocarbons;
- changes in general economic and geopolitical conditions;
- the effects of existing and future laws and governmental regulations (or the interpretation thereof) on us and our customers;
- 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;
- technological changes, including lower emissions oilfield services equipment and similar advancements;
- 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 effects of consolidation on our customers or competitors;
- 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;
- operational challenges relating to the COVID-19 pandemic and efforts to mitigate the spread of the virus, including logistical challenges, protecting the health and well-being of our employees, remote work arrangements, performance of contracts and supply chain disruptions;
- changes in our tax status;
- our ability to successfully implement technological developments and enhancements, including the new *DuraStim*® hydraulic fracturing equipment and associated power solutions;
- operating hazards, natural disasters, weather-related delays, casualty losses and other matters beyond our control;
- acts of terrorism, war or political or civil unrest in the United States or elsewhere;
- the effects of current and future litigation, including the Logan Lawsuit and the Shareholder Derivative Lawsuit (each defined herein);

- the timing and outcome of, including potential expense associated with, the pending U.S. Securities and Exchange Commission (the "SEC") investigation;
- the potential impact on our business and stock price of any announcements regarding the SEC's pending investigation, the Logan Lawsuit or the Shareholder Derivative Lawsuit; and
- our ability to successfully execute on our plans and objectives.

Whether actual results and developments will conform with our expectations and predictions contained in forward-looking statements is subject to a number of risks and uncertainties which could cause actual results to differ materially from such expectations and predictions, including, without limitation, in addition to those specified in the text surrounding such statements, the risks described under Part II, Item 1A, "Risk Factors" in this Form 10-Q and elsewhere throughout this report, the risks described under Part I, Item 1A, "Risk Factors" in our Form 10-K for the year ended December 31, 2020, filed with the SEC (the "Form 10-K") and elsewhere throughout that report, and other risks, many of which are beyond our control.

Readers are cautioned not to place undue reliance on our forward-looking statements, which are made as of the effective date of this Form 10-Q. We do not undertake, and expressly disclaim, any duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, 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, including the risk factors described in the Form 10-K.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 55,859	\$ 68,772
Accounts receivable - net of allowance for credit losses of \$0 and \$1,497, respectively	110,386	84,244
Inventories	2,329	2,729
Prepaid expenses	7,853	11,199
Other current assets	14	782
Total current assets	<u>176,441</u>	<u>167,726</u>
PROPERTY AND EQUIPMENT - net of accumulated depreciation	866,050	880,477
OPERATING LEASE RIGHT-OF-USE ASSETS	636	709
OTHER NONCURRENT ASSETS:		
Other noncurrent assets	1,656	1,827
Total other noncurrent assets	<u>1,656</u>	<u>1,827</u>
TOTAL ASSETS	<u>\$ 1,044,783</u>	<u>\$ 1,050,739</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 108,931	\$ 79,153
Operating lease liabilities	342	334
Accrued and other current liabilities	19,186	24,676
Total current liabilities	<u>128,459</u>	<u>104,163</u>
DEFERRED INCOME TAXES	68,677	75,340
NONCURRENT OPERATING LEASE LIABILITIES	378	465
Total liabilities	<u>197,514</u>	<u>179,968</u>
COMMITMENTS AND CONTINGENCIES (Note 10)		
SHAREHOLDERS' EQUITY:		
Preferred stock, \$0.001 par value, 30,000,000 shares authorized, none issued, respectively	—	—
Common stock, \$0.001 par value, 200,000,000 shares authorized, 102,057,815 and 100,912,777 shares issued, respectively	102	101
Additional paid-in capital	831,987	835,115
Retained earnings	15,180	35,555
Total shareholders' equity	<u>847,269</u>	<u>870,771</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 1,044,783</u>	<u>\$ 1,050,739</u>

See notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2021	2020
REVENUE - Service revenue	\$ 161,458	\$ 395,069
COSTS AND EXPENSES		
Cost of services (exclusive of depreciation and amortization)	123,378	300,848
General and administrative (inclusive of stock-based compensation)	20,201	24,937
Depreciation and amortization	33,478	40,205
Impairment expense	—	16,654
Loss on disposal of assets	13,052	19,854
Total costs and expenses	190,109	402,498
OPERATING LOSS	(28,651)	(7,429)
OTHER INCOME (EXPENSE):		
Interest expense	(176)	(1,281)
Other income (expense)	1,789	(3)
Total other income (expense)	1,613	(1,284)
LOSS BEFORE INCOME TAXES	(27,038)	(8,713)
INCOME TAX BENEFIT	6,663	909
NET LOSS	\$ (20,375)	\$ (7,804)
NET LOSS PER COMMON SHARE:		
Basic	\$ (0.20)	\$ (0.08)
Diluted	\$ (0.20)	\$ (0.08)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
Basic	101,550	100,687
Diluted	101,550	100,687

See notes to condensed consolidated financial statements.

PROPETRO HOLDING CORP.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)
(Unaudited)

Three Months Ended March 31, 2021

	Common Stock			Retained Earnings	Total
	Shares	Amount	Additional Paid-In Capital		
BALANCE - January 1, 2021	100,913	\$ 101	\$ 835,115	\$ 35,555	\$ 870,771
Stock-based compensation cost	—	—	2,487	—	2,487
Issuance of equity awards, net	1,145	1	(1)	—	—
Tax withholdings paid for net settlement of equity awards	—	—	(5,614)	—	(5,614)
Net loss	—	—	—	(20,375)	(20,375)
BALANCE - March 31, 2021	<u>102,058</u>	<u>\$ 102</u>	<u>\$ 831,987</u>	<u>\$ 15,180</u>	<u>\$ 847,269</u>

Three Months Ended March 31, 2020

	Common Stock			Retained Earnings	Total
	Shares	Amount	Additional Paid-In Capital		
BALANCE - January 1, 2020	100,624	\$ 101	\$ 826,629	\$ 142,575	\$ 969,305
Stock-based compensation cost	—	—	471	—	471
Issuance of equity awards, net	154	—	—	—	—
Tax withholdings paid for net settlement of equity awards	—	—	(456)	—	(456)
Net loss	—	—	—	(7,804)	(7,804)
BALANCE - March 31, 2020	<u>100,778</u>	<u>\$ 101</u>	<u>\$ 826,644</u>	<u>\$ 134,771</u>	<u>\$ 961,516</u>

See notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (20,375)	\$ (7,804)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	33,478	40,205
Impairment expense	—	16,654
Deferred income tax benefit	(6,663)	(1,312)
Amortization of deferred debt issuance costs	134	135
Stock-based compensation	2,487	471
Provision for credit losses	—	4,291
Loss on disposal of assets	13,052	19,854
Changes in operating assets and liabilities:		
Accounts receivable	(25,698)	(14,486)
Other current assets	325	1,138
Inventories	401	(860)
Prepaid expenses	3,383	2,920
Accounts payable	18,579	10,080
Accrued and other current liabilities	(2,095)	(9,431)
Accrued interest	—	(131)
Net cash provided by operating activities	<u>17,008</u>	<u>61,724</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(22,494)	(47,290)
Proceeds from sale of assets	224	733
Net cash used in investing activities	<u>(22,270)</u>	<u>(46,557)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of borrowings	—	(20,000)
Payment of finance lease obligation	—	(30)
Repayments of insurance financing	(2,037)	—
Tax withholdings paid for net settlement of equity awards	(5,614)	(456)
Net cash used in financing activities	<u>(7,651)</u>	<u>(20,486)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,913)	(5,319)
CASH AND CASH EQUIVALENTS - Beginning of period	68,772	149,036
CASH AND CASH EQUIVALENTS - End of period	<u>\$ 55,859</u>	<u>\$ 143,717</u>

See notes to condensed consolidated financial statements.

PROPETRO HOLDING CORP.
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 (the "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, 2020 included in our Form 10-K filed with the SEC (our "Form 10-K").

Revenue Recognition

The Company's services are sold based upon contracts with customers. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. The following is a description of our principal activities, aggregated into our one reportable segment—"Pressure Pumping" and "all other" category, from which the Company generates its revenue.

Pressure Pumping — Pressure pumping consists of downhole pumping services, which includes hydraulic fracturing (inclusive of acidizing services) and cementing.

Hydraulic fracturing is a well-stimulation technique intended to optimize hydrocarbon flow paths during the completion phase of shale wellbores. The process involves the injection of water, sand and chemicals under high pressure into shale formations. Our hydraulic fracturing contracts with our customers have one performance obligation, which is the contracted total stages, satisfied over time. We recognize revenue over time using a progress output, unit-of-work performed method, which is based on the agreed fixed transaction price and actual stages completed. We believe that recognizing revenue based on actual stages completed faithfully depicts how our hydraulic fracturing services are transferred to our customers over time. In addition, certain of our hydraulic fracturing equipment is entitled to daily idle fee charges if a customer were to idle committed hydraulic fracturing equipment. The Company recognizes revenue related to idle fee charges on a daily basis as the performance obligations are met.

Acidizing, which is part of our hydraulic fracturing operating segment, involves a well-stimulation technique where acid or similar chemicals are injected under pressure into formations to form or expand fissures. Our acidizing contracts have one performance obligation, satisfied at a point-in-time, upon completion of the contracted service or sale of the acid or chemical when control is transferred to the customer. Jobs for these services are typically short term in nature, with most jobs completed in less than a day. We recognize acidizing revenue at a point-in-time, upon completion of the performance obligation.

Our cementing services use pressure pumping equipment to deliver a slurry of liquid cement that is pumped down a well between the casing and the borehole. Our cementing contracts have one performance obligation, satisfied at a point-in-time, upon completion of the contracted service when control is transferred to the customer. Jobs for these services are typically short term in nature, with most jobs completed in less than a day. We recognize cementing revenue at a point-in-time, upon completion of the performance obligation.

The transaction price for each performance obligation for all our pressure pumping services is fixed per our contracts with our customers.

All Other— All other consists of coiled tubing operations, which are downhole well completion/remedial services. The performance obligation for these services has a fixed transaction price which is satisfied at a point-in-time upon completion of the service when control is transferred to the customer. Accordingly, we recognize revenue at a point-in-time, upon completion of the service and transfer of control to the customer.

Accounts Receivable

Accounts receivables are stated at the amount billed and billable to customers. At March 31, 2021 and December 31, 2020, accrued revenue (unbilled receivable) included as part of our accounts receivable was \$14.0 million and \$8.6 million, respectively. At March 31, 2021, the transaction price allocated to the remaining performance obligation for our partially

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

Note 1 - Basis of Presentation (Continued)

completed hydraulic fracturing operations was \$16.2 million, which is expected to be completed and recognized within one month following the current period balance sheet date, in our pressure pumping reportable segment.

Allowance for Credit Losses

As of March 31, 2021, the Company had no allowance for credit losses. During the three months ended March 31, 2021 the Company fully wrote off certain receivables and the associated allowance for credit losses because it was reasonably certain that the receivables will not be recovered. Our allowance for credit losses is based on the evaluation of both our historic collection experience and the expected impact of currently deteriorating economic conditions for the oil and gas industry. We evaluated the historic loss experience on our accounts receivable and also considered separately customers with receivable balances that may be negatively impacted by current economic developments and market conditions. While the Company has not experienced significant credit losses in the past and has not yet seen material changes to the payment patterns of its customers, the Company cannot predict with any certainty the degree to which the impacts of the COVID-19 pandemic, including the potential impact of periodically adjusted borrowing base limits, level of hedged production, or unforeseen well shut-downs may affect the ability of its customers to timely pay receivables when due. Accordingly, in future periods, the Company may revise its estimates of expected credit losses.

The table below shows a summary of allowance for credit losses during the three months ended March 31, 2021:

(\$ in thousands)

Balance - January 1, 2021	\$	1,497
Provision for credit losses during the period		—
Write-off during the period		(1,497)
Balance - March 31, 2021	\$	—

Note 2 - Recently Issued Accounting Standards

Recently Issued Accounting Standards Adopted in 2021

In December 2019, the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. ASU 2019-12 removes certain exceptions to the general principles in *Topic 740* in Generally Accepted Accounting Principles. ASU 2019-12 is effective for public entities for fiscal years beginning after December 15, 2020, with early adoption permitted. Effective January 1, 2021, we adopted this guidance and the adoption did not materially affect the Company’s condensed consolidated financial statements.

Recently Issued Accounting Standards Not Yet Adopted in 2021

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform*, which provides temporary optional guidance to companies impacted by the transition away from the London Interbank Offered Rate (“LIBOR”). The guidance provides certain expedients and exceptions to applying GAAP in order to lessen the potential accounting burden when contracts, hedging relationships, and other transactions that reference LIBOR as a benchmark rate are modified. This guidance is effective upon issuance and expires on December 31, 2022. The Company is currently assessing the impact of the LIBOR transition and this ASU on the Company’s condensed consolidated financial statements and does not expect ASU 2020-04 to have a material effect on the Company’s condensed consolidated financial statements.

Note 3 - Fair Value Measurement

Fair value (“FV”) 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

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

Note 3 - Fair Value Measurement (Continued)

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, accrued and other current liabilities, and long-term debt. The estimated fair value of our financial instruments at March 31, 2021 and December 31, 2020 approximated or equaled their carrying values as reflected in our condensed consolidated balance sheets.

Assets Measured at Fair Value on a Nonrecurring Basis

There was no impairment of assets during the three months ended March 31, 2021. In the first quarter of 2020, the negative future near-term outlook resulting from the continued idling of our Permian drilling assets and current market prices were indicative of potential impairment, resulting in the Company comparing the carrying value of the Permian drilling assets with its estimated fair value. In the first quarter of 2020, we determined that the carrying value of the Permian drilling assets was greater than its estimated fair value, accordingly impairment expense of \$1.1 million was recorded for our Permian drilling assets during the three months ended March 31, 2020.

In 2019, the Company entered an agreement with its equipment manufacturer granting the Company the option to purchase an additional 108,000 hydraulic horsepower ("HHP") of *DuraStim*® equipment, with the purchase option expiring at different times through July 31, 2022, as amended. The option fee of \$6.1 million, classified as a deposit for property and equipment as part of our pressure pumping reportable segment, has been fully impaired and written off in the first quarter of 2020 because it was not probable that the Company will exercise the option to purchase the equipment given the current depressed crude oil prices and other market conditions that have resulted in a decline in the demand for our hydraulic fracturing services.

The total non-cash property and equipment impairment charges recorded during the three months ended March 31, 2021 and 2020 in our hydraulic fracturing and drilling segments was \$0 and \$7.2 million, respectively.

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 in the period. There were no additions to, or disposals of, goodwill during the three months ended March 31, 2021. In the first quarter of 2020, the depressed crude oil prices and crude oil storage challenges faced in the U.S. oil and gas industry triggered the Company to perform an interim goodwill impairment test, and as a result, we compared the carrying value of the goodwill in our hydraulic fracturing reporting unit with the estimated fair value. Our impairment test also considered other relevant factors, including market capitalization and market participants' view of the oil and gas industry in reaching our conclusion that that carrying value of our goodwill in our pressure pumping reportable segment of \$9.4 million was fully impaired during the first quarter of 2020.

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

Note 4 - Long-Term Debt

Asset-Based Loan ("ABL") Credit Facility

Our revolving credit facility ("ABL Credit Facility"), as amended, has a total borrowing capacity of \$300 million (subject to the Borrowing Base limit), with a maturity date of December 19, 2023. The ABL Credit Facility has a borrowing base of 85% of monthly eligible accounts receivable less customary reserves (the "Borrowing Base"), as redetermined monthly. The Borrowing Base as of March 31, 2021 was approximately \$61.5 million. The ABL Credit Facility includes a Springing Fixed Charge Coverage Ratio to apply when excess availability is less than the greater of (i) 10% of the lesser of the facility size or the Borrowing Base or (ii) \$22.5 million. 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. Borrowings under the ABL Credit Facility are secured by a first priority lien and security interest in substantially all assets of the Company.

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 a LIBOR floor of zero.

The loan origination costs relating to the ABL Credit Facility are classified as an asset in our balance sheet. There were no borrowings under the ABL Credit Facility as of March 31, 2021 and December 31, 2020.

Note 5 - Reportable Segment Information

The Company has three operating segments for which discrete financial information is readily available: hydraulic fracturing (inclusive of acidizing), cementing and coiled tubing. These operating segments represent how the Chief Operating Decision Maker evaluates performance and allocates resources.

In accordance with the FASB Accounting Standards Codification ("ASC") 280—*Segment Reporting*, the Company has one reportable segment (pressure pumping) comprised of the hydraulic fracturing and cementing operating segments. The coiled tubing operating segment and corporate administrative expense (inclusive of our total income tax expense (benefit) and interest expense) are included in the "all other" category in the table below. Total corporate administrative expense for the three months ended March 31, 2021 and 2020 was \$5.0 million and \$10.3 million, respectively.

Our hydraulic fracturing operating segment revenue approximated 93.3% and 94.8% of our pressure pumping revenue during the three months ended March 31, 2021 and 2020, respectively.

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 expense, income taxes, depreciation and amortization, stock-based compensation expense, severance and related expense, impairment expense, (gain)/loss on disposal of assets 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):

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

Note 5- Reportable Segment Information (Continued)

	Three Months Ended March 31, 2021		
	Pressure Pumping	All Other	Total
Service revenue	\$ 158,191	\$ 3,267	\$ 161,458
Adjusted EBITDA	\$ 31,870	\$ (11,853)	\$ 20,017
Depreciation and amortization	\$ 32,513	\$ 965	\$ 33,478
Capital expenditures	\$ 30,023	\$ 2,305	\$ 32,328
Total assets at March 31, 2021	\$ 1,005,365	\$ 39,418	\$ 1,044,783

	Three Months Ended March 31, 2020		
	Pressure Pumping	All Other	Total
Service revenue	\$ 386,919	\$ 8,150	\$ 395,069
Adjusted EBITDA	\$ 78,664	\$ (3,741)	\$ 74,923
Depreciation and amortization	\$ 38,969	\$ 1,236	\$ 40,205
Capital expenditures	\$ 39,268	\$ 828	\$ 40,096
Total assets at December 31, 2020	\$ 1,009,631	\$ 41,108	\$ 1,050,739

Reconciliation of net (loss) income to adjusted EBITDA (\$ in thousands):

	Three Months Ended March 31, 2021		
	Pressure Pumping	All Other	Total
Net loss	\$ (13,675)	\$ (6,700)	\$ (20,375)
Depreciation and amortization	32,513	965	33,478
Interest expense	—	176	176
Income tax benefit	—	(6,663)	(6,663)
Loss on disposal of assets	13,032	20	13,052
Stock-based compensation	—	2,487	2,487
Other income	—	(1,789)	(1,789)
Other general and administrative expense, (net) ⁽¹⁾	—	(961)	(961)
Severance expense	—	612	612
Adjusted EBITDA	\$ 31,870	\$ (11,853)	\$ 20,017

	Three Months Ended March 31, 2020		
	Pressure Pumping	All Other	Total
Net income (loss)	\$ 4,308	\$ (12,112)	\$ (7,804)
Depreciation and amortization	38,969	1,236	40,205
Impairment expense	15,559	1,095	16,654
Interest expense	1	1,280	1,281
Income tax expense	—	(909)	(909)
Loss on disposal of assets	19,815	39	19,854
Stock-based compensation	—	471	471
Other expense	—	3	3
Other general and administrative expense ⁽¹⁾	—	5,135	5,135
Retention bonus and severance expense	12	21	33
Adjusted EBITDA	\$ 78,664	\$ (3,741)	\$ 74,923

(1) Other general and administrative expense, (net) relates to nonrecurring professional fees paid to external consultants in connection with the Company's pending SEC investigation and shareholder litigation, net of insurance recoveries.

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

Note 6 - Net Loss Per Share

Basic net loss per common share is computed by dividing the net loss relevant to the common stockholders by the weighted average number of common shares outstanding during the period. Diluted net loss per common share uses the same net loss divided by the sum of the weighted average number of shares of common stock outstanding during the period, plus dilutive effects of options, performance and restricted stock units outstanding during the period calculated using the treasury method and the potential dilutive effects of preferred stocks (if any) calculated using the if-converted method.

The table below shows the calculations for the three months ended March 31, 2021 and 2020, (in thousands, except for per share data):

	Three Months Ended March 31,	
	2021	2020
<i>Numerator (both basic and diluted)</i>		
Net loss relevant to common stockholders	\$ (20,375)	\$ (7,804)
<i>Denominator</i>		
Denominator for basic loss per share	101,550	100,687
Dilutive effect of stock options	—	—
Dilutive effect of performance share units	—	—
Dilutive effect of restricted stock units	—	—
Denominator for diluted loss per share	101,550	100,687
Basic loss per share	\$ (0.20)	\$ (0.08)
Diluted loss per share	\$ (0.20)	\$ (0.08)

As shown in the table below, the following stock options, restricted stock units and performance stock units outstanding as of March 31, 2021 and 2020, respectively, have not been included in the calculation of diluted loss per common share for the three months ended March 31, 2021 and 2020 because they will be anti-dilutive to the calculation of diluted net loss per common share:

(In thousands)

	2021	2020
Stock options	1,912	4,230
Restricted stock units	1,564	1,228
Performance stock units	1,480	1,051
Total	4,956	6,509

Note 7 - Stock-Based Compensation

Stock Options

There were no new stock option grants during the three months ended March 31, 2021. As of March 31, 2021, the aggregate intrinsic value for our outstanding stock options was \$10.2 million, and the aggregate intrinsic value for our exercisable stock options was \$0.2 million. The aggregate intrinsic value for the exercised stock options during the three months ended March 31, 2021 was approximately \$11.7 million. The remaining exercise period for both the outstanding and exercisable stock options as of March 31, 2021 was 3.3 years.

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

Note 7 - Stock-Based Compensation (Continued)

A summary of the stock option activity for the three months ended March 31, 2021 is presented below:

	Number of Shares	Weighted Average Exercise Price
Outstanding at January 1, 2021	4,200,341	\$ 4.82
Granted	—	\$ —
Exercised	(2,212,215)	\$ 3.33
Forfeited	—	\$ 14.00
Expired	(76,306)	\$ 14.00
Outstanding at March 31, 2021	<u>1,911,820</u>	\$ 6.18
Exercisable at March 31, 2021	<u>1,911,820</u>	\$ 6.18

Restricted Stock Units

During the three months ended March 31, 2021, we granted a total of 700,865 restricted stock units ("RSUs") to employees, officers and directors pursuant to the ProPetro Holding Corp. 2020 Long Term Incentive Plan (the "2020 Incentive Plan"), which generally vest ratably over a three-year vesting period, in the case of awards to employees and officers, and generally vest in full after one year, in the case of awards to directors. RSUs are subject to restrictions on transfer and are generally subject to a risk of forfeiture if the award recipient ceases to be an employee or director of the Company prior to vesting of the award. Each RSU represents the right to receive one share of common stock. The grant date fair value of the RSUs is based on the closing share price of our common stock on the date of grant. As of March 31, 2021, the total unrecognized compensation expense for all RSUs was approximately \$10.5 million, and is expected to be recognized over a weighted average period of approximately 2.4 years.

The following table summarizes RSUs activity during the three months ended March 31, 2021:

	Number of Shares	Weighted Average Grant Date FV
Outstanding at January 1, 2021	1,165,369	\$ 8.50
Granted	700,865	\$ 9.77
Vested	(301,830)	\$ 9.74
Forfeited	—	\$ —
Canceled	—	\$ —
Outstanding at March 31, 2021	<u>1,564,404</u>	\$ 8.83

Performance Share Units

During the three months ended March 31, 2021, we granted 544,699 performance share units ("PSUs") to certain key employees and officers as new awards under the 2020 Incentive Plan. The actual number of shares of common stock that may be issued under the PSUs ranges from 0% up to a maximum of 200% of the target number of PSUs granted to the participant, based on our total shareholder return ("TSR") relative to a designated peer group, generally at the end of a three year period. In addition to the TSR conditions, vesting of the PSUs is generally subject to the recipient's continued employment through the end of the applicable performance period. Compensation expense is recorded ratably over the corresponding requisite service period. The grant date fair value of PSUs 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.

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

Note 7 - Stock-Based Compensation (Continued)

The following table summarizes information about PSUs activity during the three months ended March 31, 2021:

Period Granted	Target Shares Outstanding at January 1, 2021	Target Shares Granted	Target Shares Vested	Target Shares Forfeited	Target Shares Outstanding at March 31, 2021	Weighted Average Grant Date FV per Share
2017	—	—	—	—	—	\$ 10.73
2018	84,322	—	(84,322)	—	—	\$ 27.51
2019	126,318	—	—	—	126,318	\$ 27.49
2020	808,638	—	—	—	808,638	\$ 8.30
2021	—	544,699	—	—	544,699	\$ 15.35
Total	<u>1,019,278</u>	<u>544,699</u>	<u>(84,322)</u>	<u>—</u>	<u>1,479,655</u>	\$ 12.53
Weighted Average FV Per Share	\$ 12.27	\$ 15.35	\$ 27.51	\$ —	\$ 12.53	

The total stock-based compensation expense for the three months ended March 31, 2021 and 2020 for all stock awards was \$2.5 million and \$0.5 million, respectively. The total unrecognized stock-based compensation expense as of March 31, 2021 was approximately \$22.9 million, and is expected to be recognized over a weighted average period of approximately 2.4 years.

Note 8 - Related-Party Transactions

Corporate Office Building

Prior to April 2020, the Company rented its corporate office building and the associated real property from an entity, in which a former executive officer of the Company has an equity interest for approximately \$0.1 million per year. In April 2020, the Company acquired the corporate office building and the associated real property for approximately \$1.5 million.

Operations and Maintenance Yards

The Company also leases five yards from an entity, in which certain former executive officers and a director of the Company have equity interests and the total annual rent expense for each of the five yards was approximately \$0.03 million, \$0.03 million, \$0.1 million, \$0.1 million, and \$0.2 million, respectively. The Company also leased its drilling yard from another entity, in which a certain former executive officer of the Company has an equity interest, for an annual lease expense of approximately \$0.1 million. In November 2020, we terminated the drilling yard lease.

Equipment Rental and Other Services

The Company obtains equipment maintenance services from an entity that has a family relationship with an executive officer of the Company. During the three months ended March 31, 2021 and 2020, the Company incurred approximately \$0 and \$0.3 million, respectively, for equipment maintenance services associated with this related party.

At March 31, 2021 and December 31, 2020, the Company had no outstanding payables or receivables to or from the above related party transactions.

Pioneer

On December 31, 2018, we consummated the purchase of certain pressure pumping assets and real property from Pioneer Natural Resources USA, Inc. ("Pioneer") and Pioneer Pumping Services (the "Pioneer Pressure Pumping Acquisition"). In connection with the Pioneer Pressure Pumping Acquisition, Pioneer received 16.6 million shares of our common stock and approximately \$110.0 million in cash.

Revenue from services provided to Pioneer (including idle fees) accounted for approximately \$86.3 million and \$127.4 million of our total revenue during the three months ended March 31, 2021 and 2020, respectively.

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

Note 8 - Related-Party Transactions (Continued)

In connection with the Pioneer Pressure Pumping Acquisition, the Company agreed to reimburse Pioneer for the Company's portion of the retention bonuses paid to former Pioneer employees that were subsequently employed by the Company. During the three months ended March 31, 2021 and 2020, the Company fully reimbursed Pioneer approximately \$0 and \$2.6 million, respectively.

As of March 31, 2021, the total accounts receivable due from Pioneer, including estimated unbilled receivable for services (including idle fees) we provided, amounted to approximately \$61.2 million and the amount due to Pioneer was \$0. As of December 31, 2020, the balance due from Pioneer for services (including idle fees) we provided amounted to approximately \$41.7 million and the amount due to Pioneer was \$0.

Note 9 - Leases

Operating Leases

Description of Lease

In March 2013, we entered into a ten year real estate lease contract (the "Real Estate Lease") with a commencement date of April 1, 2013, as part of the expansion of our equipment yard. The lease is with an entity in which a former director of the Company has a noncontrolling equity ownership interest. During the three months ended March 31, 2021 and 2020, the Company made lease payments of approximately \$0.1 million and \$0.1 million, respectively. The assets and liabilities under this contract are equally allocated between our cementing and coiled tubing segments. In addition to the contractual lease period, the contract includes an optional renewal of up to ten years, and in management's judgment the exercise of the renewal option is not reasonably assured. The contract does not include a residual value guarantee, covenants or financial restrictions. Further, the Real Estate Lease does not contain variability in payments resulting from either an index change or rate change. Effective January 1, 2019, the remaining lease term in our present value estimate of the minimum future lease payments was four years.

Consistent with the requirements of the new lease standard, ASC 842, we have determined the Real Estate Lease to be an operating lease. Our assumptions resulted from the existence of the right to control the use of the assets throughout the lease term. We did not account for the land separately from the building of the real estate lease because we concluded that the accounting effect was insignificant. As of March 31, 2021, the weighted average discount rate and remaining lease term was 6.7% and 2.0 years, respectively.

As of March 31, 2021, our total operating lease right-of-use asset cost was approximately \$1.2 million, and accumulated amortization was approximately \$0.6 million. For the three months ended March 31, 2021 and 2020, we recorded operating lease cost of approximately \$0.1 million and \$0.1 million, respectively, in our statement of operations.

Finance Leases

Description of Ground Lease

In 2018, we entered into a ten year land lease contract (the "Ground Lease") with an exclusive option to purchase the land exercisable beginning one year from the commencement date of October 1, 2018 through the end of the contractual lease term. The Ground Lease did not include any residual value guarantee, covenants or financial restrictions. Further, the Ground Lease did not contain variability in payments resulting from either an index change or rate change. In March 2020, the Company exercised its option and purchased the land associated with the Ground Lease for approximately \$2.5 million.

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

Note 9 - Leases (Continued)

Maturity Analysis of Lease Liabilities

The maturity analysis of liabilities and reconciliation to undiscounted and discounted remaining future lease payments for our operating lease as of March 31, 2021 are as follows:

(\$ in thousands)	
2021	\$ 285
2022	389
2023	98
2024	—
Total undiscounted future lease payments	\$ 772
Less: amount representing interest	(52)
Present value of future lease payments (lease obligation)	<u>\$ 720</u>

The total cash paid for amounts included in the measurement of our operating lease liability during the three months ended March 31, 2021 was approximately \$0.1 million. During the three months ended March 31, 2020, total cash paid for amounts included in the measurement of our operating and finance lease liabilities was approximately \$0.1 million and \$0.03 million, respectively.

Short-Term Leases

We elected the practical expedient, consistent with ASC 842, to exclude leases with an initial term of twelve months or less ("short-term leases") from our balance sheet and continue to record short-term leases as a period expense. For the three months ended March 31, 2021 and 2020 our short-term lease expense was approximately \$0.2 million and \$0.3 million, respectively.

In April 2021, we entered into a short-term lease arrangement to lease our gas turbine (the "Equipment Lease") with a commencement date of June 1, 2021 through September 30, 2021. We have classified the Equipment Lease as an operating lease and future lease income, which will be ratably recognized over the lease period, is approximately \$3.0 million.

Note 10 - Commitments and Contingencies

Commitments

As of March 31, 2021, the total outstanding contractual commitments entered into as part of normal course of business for supply of certain equipment and other assets was approximately \$3.0 million. At March 31, 2021, the total remaining commitments, in connection with the lodging arrangement for our crews was approximately \$5.5 million.

The Company enters into purchase agreements with its sand suppliers (the "Sand suppliers") to secure supply of sand as part of its normal course of business. The agreements with the Sand suppliers require that the Company purchase a minimum volume of sand, based primarily on a certain percentage of our sand requirements from our customers or in certain situations based on predetermined fixed minimum volumes, otherwise certain penalties (shortfall fees) may be charged. The shortfall fee represents liquidated damages and is based on a fixed price per ton of unpurchased volumes. Our agreements with the Sand suppliers expire at different times prior to December 31, 2025. During the three months ended March 31, 2021 and 2020, no shortfall fee was recorded. One of the Sand suppliers ("SandCo") we entered into an agreement with to purchase sand ("Texas sand") has an indirect relationship with a former executive officer of the Company, because beginning in 2018, the Texas sand was sourced from a mine located on land owned by an entity in which the former executive officer of the Company has a 44% noncontrolling equity interest. The total sand purchased from SandCo during the three months ended March 31, 2020 (the period the former executive was associated with the Company) was approximately \$5.3 million.

As of March 31, 2021, the Company had issued letters of credit of approximately \$3.7 million under the ABL Credit Facility in connection with the Company's casualty insurance policy.

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

Note 10 - Commitments and Contingencies (Continued)

Contingent Liabilities

In September 2019, a complaint, captioned Richard Logan, Individually and On Behalf of All Others Similarly Situated, Plaintiff, v. ProPetro Holding Corp., et al., (the “Logan Lawsuit”), was filed against the Company and certain of its then current and former officers and directors in the U.S. District Court for the Western District of Texas.

In July 2020, the Logan Lawsuit Lead Plaintiffs Nykredit Portefølje Administration A/S, Oklahoma Firefighters Pension and Retirement System, Oklahoma Law Enforcement Retirement System, Oklahoma Police Pension and Retirement System, and Oklahoma City Employee Retirement System, and additional named plaintiff Police and Fire Retirement System of the City of Detroit, individually and on behalf of a putative class of shareholders who purchased the Company’s common stock between March 17, 2017 and March 13, 2020, filed a third amended class action complaint in the U.S. District Court for the Western District of Texas, alleging violations of Sections 10(b) and 20(a) of the Exchange Act, as amended, and Rule 10b-5 promulgated thereunder, and Sections 11 and 15 of the Securities Act of 1933, as amended, based on allegedly inaccurate or misleading statements, or omissions of material facts, about the Company’s business, operations and prospects against the Company, certain former officers and current and former directors. In August 2020, the Company filed a motion to dismiss the Logan Lawsuit and in September 2020, the plaintiffs filed their opposition. In October 2020, the Company filed its reply brief in support of the motion to dismiss.

In May 2020, the U.S. District Court for the Western District of Texas consolidated two shareholder derivative lawsuits previously filed against the Company and certain of its current and former officers and directors into a single lawsuit captioned *In re ProPetro Holding Corp. Derivative Litigation* (the “Shareholder Derivative Lawsuit”). In August 2020, the plaintiffs in the Shareholder Derivative Lawsuit filed a consolidated complaint alleging (i) breaches of fiduciary duties, (ii) unjust enrichment and (iii) contribution. The plaintiffs did not quantify any alleged damages in their complaint but, in addition to attorneys’ fees and costs, they seek various forms of relief, including (i) damages sustained by the Company as a result of the alleged misconduct, (ii) punitive damages and (iii) equitable relief in the form of improvements to the Company’s governance and controls. In October 2020, the Company and other defendants filed motions to dismiss the Shareholder Derivative Lawsuit and in December 2020, the plaintiffs filed their opposition. In January 2021, the Company and other defendants filed reply briefs in support of the motions to dismiss.

In October 2019, the Company received a letter from the SEC indicating that the SEC had opened an investigation into the Company, which followed the SEC’s issuance of a formal order of investigation, and requesting that the Company provide certain information and documents, including documents related to the Company’s expanded audit committee review and related events. The Company has cooperated and expects to continue to cooperate with the SEC’s investigation.

We are presently unable to predict the duration, scope or result of the Logan Lawsuit, the Shareholder Derivative Lawsuit, the SEC investigation, or any other related lawsuit or investigation. As of March 31, 2021, no provision was made by the Company in connection with these pending lawsuits and the SEC investigation as the final outcome cannot be reasonably estimated.

Environmental

The Company is subject to various federal, state and local environmental laws and regulations that establish standards and requirements for protection of the environment. The Company cannot predict the future impact of such standards and requirements, which are subject to change and can have retroactive effectiveness. The Company continues to monitor the status of these laws and regulations. Currently, the Company has not been fined, cited or notified of any environmental violations that would have a material adverse effect upon its financial position, liquidity or capital resources. However, management does recognize that by the very nature of the Company’s business, material costs could be incurred in the near term to maintain compliance. The amount of such future expenditures is not determinable due to several factors, including the unknown magnitude of possible regulation or liabilities, the unknown timing and extent of the corrective actions which may be required, the determination of the Company’s liability in proportion to other responsible parties and the extent to which such expenditures are recoverable from insurance or indemnification.

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

Note 10 - Commitments and Contingencies (Continued)

Regulatory Audits

In 2020, the Texas Comptroller of Public Accounts commenced a routine audit of the Company's motor vehicle and other related fuel taxes for the periods of July 2015 through December 2020. As of December 31, 2020, the audit is still at an early stage and the final outcome cannot be reasonably estimated.

In 2021, the Texas Comptroller of Public Accounts completed a routine audit of gross receipts, and sales, excise and use taxes for the periods of July 2015 through December 2018. The net refund to the Company from the sales and excise and use tax audit was approximately \$2.1 million, which was recorded as part of other income in our statement of operations during the three months ended March 31, 2021.

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 Form 10-K 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 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 long-standing customer relationships with some of the region's most active and well-capitalized E&P companies. The Permian Basin is widely regarded as one of the most prolific oil-producing area in the United States, and we believe we are one of the largest providers of hydraulic fracturing services in the region by hydraulic horsepower ("HHP").

Our total available HHP as of March 31, 2021 was 1,388,000 HHP, which was comprised of 15,000 HHP of our new Tier IV Dynamic Gas Blending ("DGB") equipment, 1,265,000 HHP of conventional Tier II equipment and 108,000 HHP of our new *DuraStim*® hydraulic fracturing equipment. During the second quarter of 2021, we expect to take delivery of our remaining committed 35,000 HHP of new DGB equipment. On average, a fleet consists of approximately 50,000 HHP but could vary significantly depending on the job design and customer demand at the wellsite. With the industry transition to lower emissions equipment and simultaneous fracturing, in addition to several other changes to our customers' job designs, we believe that our available fleet capacity could decline if we decide to reconfigure our fleets to increase active HHP and back up HHP at the wellsites based on our customers' and operational needs or as we retire and replace conventional Tier II equipment.

In 2019, we entered into a purchase commitment for 108,000 HHP of *DuraStim*® electric powered hydraulic fracturing equipment. Our *DuraStim*® equipment is still being tested and has only been deployed to our customers' wellsites on a limited scale. As we continue with our testing of the equipment, the number of *DuraStim*® pumps that constitute a fleet will depend on a combination of factors, including the ultimate operating performance of *DuraStim*® pumps following the completion of testing, the particular shale formation where a well is completed, customer service requirements and job design. The Company has set a goal to commercialize its first *DuraStim*® fleet to our customer wellsites in the second half of 2021. We also have an option to purchase up to an additional 108,000 HHP of *DuraStim*® hydraulic fracturing equipment in the future through July 31, 2022. We currently have gas turbines, to provide electrical power to our *DuraStim*® fleet. The electrical power sources for future *DuraStim*® fleets are still being evaluated and could be supplied by the Company, customers or a third-party supplier.

Our competitors include many large and small oilfield services companies, including Halliburton Company, Liberty Oilfield Services Inc., Nextier Oilfield Solutions Inc., Patterson-UTI Energy Inc., RPC, Inc., FTS International Inc. and a number of private and locally-oriented businesses. The markets in which we operate are highly competitive. To be successful, an oilfield services company must provide services that meet the specific needs of E&P companies at competitive prices. Competitive factors impacting sales of our services are price, reputation, technical expertise, emissions profile, service and equipment design and quality, and health and safety standards. Although our customers consider all of these factors, we believe price is a key factor in E&P companies' criteria in choosing a service provider. However, we have recently observed the energy industry and our customers shift to lower emissions equipment, which we believe will be an increasingly important factor in an E&P company's selection of a service provider. The transition to lower emissions equipment has been challenging for companies in the service industry because of the capital requirement, and the depressed energy industry. While we seek to price our services competitively, we believe many of our customers elect to work with us based on our operational efficiencies, productivity, equipment quality, commitment to safety and the ability of our people to handle the most complex Permian Basin well completions.

Our substantial market presence in the Permian Basin positions us well to capitalize on drilling and completion activity in the region. Primarily, our operational focus has been in the Permian Basin's Midland sub-basin, where our customers have operated. However, we are well positioned to increase our activity in the Delaware sub-basin in response to demand from our customers. 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.

Through our pressure pumping segment (which also includes our cementing operations), we primarily provide hydraulic fracturing services to E&P companies in the Permian Basin. Our hydraulic fracturing fleet has been designed to handle Permian Basin specific operating conditions and the region's increasingly high-intensity well completions (including simultaneous

hydraulic fracturing), which are characterized by longer horizontal wellbores, more stages per lateral and increasing amounts of proppant per well.

In addition to our core pressure pumping segment operations, which includes our cementing operations, we also offer coiled tubing services. We believe our coiled tubing services create operational efficiencies for our customers and could allow us to capture a greater portion of their capital spending across the lifecycle of a well.

Commodity Price and Other Economic Conditions

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.

The global public health crisis associated with the COVID-19 pandemic has and could continue to have an adverse effect on global economic activity for the immediate future, has resulted in travel limitations, business closures and the institution of quarantining and other restrictions on movement and business operations in many communities. With the slowdown in global economic activity attributable to COVID-19 beginning in early 2020, the energy industry experienced a dramatic decline in the demand for energy and crude oil prices, which impacted our industry and the Company. In addition, global crude oil prices have been highly volatile especially in 2020 with the overall global uncertainty related to anticipated production levels for OPEC+ participants and the impact of COVID-19 pandemic.

In 2020, the combined effect of COVID-19 and the energy industry disruptions led to a significant decline in WTI crude oil prices to approximately \$21 per barrel at the end of March 2020. With OPEC+ managing production levels, the development and administration of COVID-19 vaccines and the lifting of COVID-19 restrictions in certain areas (both in the United States and internationally), there has been a gradual recovery in the energy industry and overall economic activities from its lowest point in 2020. However, there is still some level of uncertainty in the global market resulting from the COVID-19 pandemic and the risk of an outbreak of a new virus, which could result in continued depressed global energy demand and declining crude oil prices. As of May 3, 2021, the WTI price for a barrel of crude oil was approximately \$65.

In light of the COVID-19 pandemic and the energy industry disruptions, the Permian Basin rig count decreased significantly from approximately 403 at the beginning of January 2020 to approximately 175 at the end of December 2020, according to Baker Hughes. However, the rig count slowly increased exiting 2020 and is currently at 224 rigs at the end of March 2021. If the rig count and market conditions do not continue to improve, the Company expects a material adverse impact on its business, results of operations and cash flows, resulting from a decrease in our customer activity and pricing pressure from its customers.

Government regulations and investors are demanding the oil and gas industry transition to a lower emissions operating environment, including the E&P and oilfield service companies. As a result, we are working with our customers and equipment manufacturers to transition to a lower emissions profile. Currently, a number of lower emission solutions for pumping equipment, including Tier IV DGB, electric, direct drive gas turbine and other technologies have been developed, and we expect additional lower emission solutions will be developed in the future. We are continually evaluating these technologies and other investment and acquisition opportunities that would support our existing and new customer relationships. The transition to lower emissions equipment is quickly evolving and will be capital intensive. Over time we may be required to convert substantially all of our conventional Tier II equipment to lower emissions equipment. If we are unable to quickly transition to lower emissions equipment and meet our and our customers' emissions goals, the demand for our services could be adversely impacted.

Although the oil and gas market has not fully recovered and pricing for our services is still depressed, we still believe the Permian Basin, our primary area of operation, is the leading basin with the lowest break-even production cost in the United States. If the oil and gas industry recovers, we believe there will be increased demand for pressure pumping services in the Permian Basin. If market conditions remain depressed for a longer period of time, our profitability and future cash flows will be negatively impacted, and as a result, we may be required to record additional asset impairment charges in future periods.

Our results of operations have historically reflected seasonal tendencies, typically in the fourth quarter, relating to holiday seasons, inclement winter weather and exhaustion of our customers' annual budgets. As a result, we typically experience declines in our operating results in November and December, even in a stable commodity price and operations environment.

Actions to Address the Economic Impact of COVID-19 and Depressed Energy Industry

We initiated several actions to mitigate the anticipated adverse economic conditions for the immediate future and to support our future financial position, liquidity and operations as follows:

- **Capital Expenditures:** our 2021 capital expenditures will be driven by customer activity levels and demand for our pressure pumping services. Our objective is to remain capital disciplined.
- **Other Expenditures:** we will continue to seek competitive pricing and cost saving measures for our expendable items, logistics, materials used in day-to-day operations and our large component replacement parts.
- **Labor Force:** we will continue to make appropriate adjustments to our workforce to reflect outlook related to our customers' activity levels. We will continue to explore strategic options to improve our customers' efficiencies and prioritize safe operations, while maintaining the most efficient headcount.
- **Working Capital:** we will continue to monitor our payment terms with certain of our larger vendors and continue to increase our diligence in collecting and managing our portfolio of accounts receivables.

How We Evaluate Our Operations

Our management uses Adjusted EBITDA or Adjusted EBITDA margin to evaluate and analyze the performance of our various operating segments.

Adjusted EBITDA and Adjusted EBITDA Margin

We view Adjusted EBITDA and Adjusted EBITDA margin as important indicators of performance. We define EBITDA as our earnings, 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) stock-based compensation, and (iii) other unusual or nonrecurring (income)/expenses, such as impairment charges, severance and related costs, costs related to asset acquisitions and one-time professional fees. Adjusted EBITDA margin reflects our Adjusted EBITDA as a percentage of our revenues.

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, and research analysts, to assess our financial performance because it allows us and other users 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 (income)/expenses and items outside the control of our management team (such as income taxes). Adjusted EBITDA and Adjusted EBITDA margin have limitations as analytical tools and should not be considered as an alternative to net income/(loss), operating income/(loss), cash flow from operating activities or any other measure of financial performance presented in accordance with GAAP.

Note Regarding Non-GAAP Financial Measures

Adjusted EBITDA and Adjusted EBITDA margin are not financial measures presented in accordance with GAAP ("non-GAAP"), except when specifically required to be disclosed by GAAP in the financial statements. We believe that the presentation of Adjusted EBITDA and Adjusted EBITDA margin 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 (income) and items outside the control of the Company. Net income (loss) is the GAAP measure most directly comparable to Adjusted EBITDA. Adjusted EBITDA and Adjusted EBITDA margin 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 (loss) income to Adjusted EBITDA (\$ in thousands):

	Three Months Ended March 31, 2021		
	Pressure Pumping	All Other	Total
Net loss	\$ (13,675)	\$ (6,700)	\$ (20,375)
Depreciation and amortization	32,513	965	33,478
Interest expense	—	176	176
Income tax benefit	—	(6,663)	(6,663)
Loss on disposal of assets	13,032	20	13,052
Stock-based compensation	—	2,487	2,487
Other income	—	(1,789)	(1,789)
Other general and administrative expense, (net) ⁽¹⁾	—	(961)	(961)
Severance expense	—	612	612
Adjusted EBITDA	\$ 31,870	\$ (11,853)	\$ 20,017

	Three Months Ended March 31, 2020		
	Pressure Pumping	All Other	Total
Net income (loss)	\$ 4,308	\$ (12,112)	\$ (7,804)
Depreciation and amortization	38,969	1,236	40,205
Impairment expense	15,559	1,095	16,654
Interest expense	1	1,280	1,281
Income tax expense	—	(909)	(909)
Loss on disposal of assets	19,815	39	19,854
Stock-based compensation	—	471	471
Other expense	—	3	3
Other general and administrative expense ⁽¹⁾	—	5,135	5,135
Retention bonus and severance expense	12	21	33
Adjusted EBITDA	\$ 78,664	\$ (3,741)	\$ 74,923

(1) Other general and administrative expense, (net) relates to nonrecurring professional fees paid to external consultants in connection with the Company's pending SEC investigation and shareholder litigation, net of insurance recoveries.

Results of Operations

We conduct our business through three operating segments: hydraulic fracturing, cementing and coiled tubing. In March 2020, the Company shut down its flowback operating segment and subsequently disposed of the assets for approximately \$1.6 million. In September 2020, the Company disposed of all of its drilling rigs and ancillary assets for approximately \$0.5 million and shut down its drilling operations. For reporting purposes, the hydraulic fracturing and cementing operating segments are aggregated into our one reportable segment—pressure pumping. The coiled tubing operating segment and corporate administrative expenses (inclusive of our total income tax expense (benefit) and interest expense) are included in the “all other” category. Total corporate administrative expense for the three months ended March 31, 2021 and 2020 was \$5.0 million and \$10.3 million, respectively.

Our hydraulic fracturing operating segment revenue approximated 93.3% and 94.8% of our pressure pumping revenue during the three months ended March 31, 2021 and 2020, respectively.

The following table sets forth the results of operations for the periods presented:

(in thousands, except for percentages)

	Three Months Ended March 31,		Change Increase (Decrease)	
	2021	2020	\$	%
Revenue	\$ 161,458	\$ 395,069	\$ (233,611)	(59.1)%
Less (Add):				
Cost of services ⁽¹⁾	123,378	300,848	(177,470)	(59.0)%
General and administrative expense ⁽²⁾	20,201	24,937	(4,736)	(19.0)%
Depreciation and amortization	33,478	40,205	(6,727)	(16.7)%
Impairment Expense	—	16,654	(16,654)	(100.0)%
Loss on disposal of assets	13,052	19,854	(6,802)	(34.3)%
Interest expense	176	1,281	(1,105)	(86.3)%
Other (income) expense	(1,789)	3	(1,792)	(59,733.3)%
Income tax benefit	(6,663)	(909)	(5,754)	633.0 %
Net loss	\$ (20,375)	\$ (7,804)	\$ (12,571)	161.1 %
Adjusted EBITDA ⁽³⁾	\$ 20,017	\$ 74,923	\$ (54,906)	(73.3)%
Adjusted EBITDA Margin ⁽³⁾	12.4 %	19.0 %	(6.6)%	(34.7)%
Pressure pumping segment results of operations:				
Revenue	\$ 158,191	\$ 386,919	\$ (228,728)	(59.1)%
Cost of services	\$ 119,768	\$ 294,224	\$ (174,456)	(59.3)%
Adjusted EBITDA ⁽³⁾	\$ 31,870	\$ 78,664	\$ (46,794)	(59.5)%
Adjusted EBITDA Margin ⁽⁴⁾	20.1 %	20.3 %	(0.2)%	(1.0)%

(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". Included in our Adjusted EBITDA is idle fees of \$4.3 million and \$1.5 million for the three months ended March 31, 2021 and 2020, respectively.

(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 March 31, 2021 Compared to the Three Months Ended March 31, 2020

Revenue. Revenue decreased 59.1%, or \$233.6 million, to \$161.5 million during the three months ended March 31, 2021, as compared to \$395.1 million during the three months ended March 31, 2020. Our pressure pumping segment revenues decreased 59.1%, or \$228.7 million, for the three months ended March 31, 2021, as compared to the three months ended March 31, 2020. The decreases were primarily attributable to the significant decrease in demand for pressure pumping services, as well as pricing discounts we provided to our customers following the depressed oil prices and slowdown in economic activity resulting from the COVID-19 pandemic. The decrease in demand for our pressure pumping services resulted in a significant decrease in our average effectively utilized fleet count to approximately 10.3 active fleets during the three months ended March 31, 2021 from approximately 18.6 active fleets for the three months ended March 31, 2020. In addition, our revenue for the three months ended March 31, 2021 was negatively impacted by the severe weather conditions experienced in February 2021, resulting in approximately eight days of lost revenue. Included in our revenue for the three months ended March 31, 2021 and 2020 was revenue generated from idle fees charged to our customer of approximately \$4.3 million and \$1.5 million, respectively.

Revenues from services other than pressure pumping decreased 59.9%, or \$4.9 million, to \$3.3 million for the three months ended March 31, 2021, as compared to \$8.2 million for the three months ended March 31, 2020. The decrease in revenue from services other than pressure pumping was primarily attributable to the significant reduction in utilization experienced by our coiled tubing operations, which was driven by lower E&P completions activity following the depressed oil prices and impact of the COVID-19 pandemic, and the shutdown of our flowback operations.

Cost of Services. Cost of services decreased 59.0%, or \$177.5 million, to \$123.4 million for the three months ended March 31, 2021, as compared to \$300.8 million during the three months ended March 31, 2020. Cost of services in our pressure pumping segment decreased \$174.5 million for the three months ended March 31, 2021, as compared to the three months ended March 31, 2020. These decreases were primarily attributable to the significantly lower activity levels following the depressed oil prices and economic slowdown caused by the COVID-19 pandemic that negatively impacted E&P completions activity. As a percentage of pressure pumping segment revenues (including idle fees), pressure pumping cost of services was 75.7% for the three months ended March 31, 2021, as compared to 76.0% for the three months ended March 31, 2020. Excluding idle fees revenue of \$4.3 million and \$1.5 million recorded during the three months ended March 31, 2021 and 2020, respectively, our pressure pumping cost of services as a percentage of pressure pumping revenues for the three months ended March 31, 2021 and 2020, was approximately 77.8% and 76.3%, respectively. Furthermore, during the three months ended March 31, 2021 the company absorbed certain cost of services during the eight days of severe weather conditions experienced in February 2021, which negatively impacted our profitability.

General and Administrative Expenses. General and administrative expenses decreased 19.0%, or \$4.7 million, to \$20.2 million for the three months ended March 31, 2021, as compared to \$24.9 million for the three months ended March 31, 2020. The net decrease was primarily attributable to a decrease during 2021 in nonrecurring professional fees of \$6.1 million, which was primarily attributable to the Company's expanded audit committee internal review, pending SEC investigation and shareholder litigation, which was offset by a net increase of approximately \$1.4 million in our other remaining general and administrative expenses.

Impairment Expense. There was no impairment expense recorded during the three months ended March 31, 2021, as compared to \$16.7 million of goodwill and equipment impairment expense recorded during the three months ended March 31, 2020 in connection with the then depressed market conditions and utilization of our equipment.

Depreciation and Amortization. Depreciation and amortization decreased 16.7%, or \$6.7 million, to \$33.5 million for the three months ended March 31, 2021, as compared to \$40.2 million for the three months ended March 31, 2020. The decrease was primarily attributable to the decrease in our fixed asset base, part of which was attributable to the impairment of certain fixed assets in 2020.

Loss on Disposal of Assets. Loss on the disposal of assets decreased 34.3%, or \$6.8 million, to \$13.1 million for the three months ended March 31, 2021, as compared to \$19.9 million for the three months ended March 31, 2020. The decrease was primarily attributable to the decrease in equipment utilization. Upon sale or retirement of property and equipment, including certain major components of our pressure pumping equipment that are replaced, the cost and related accumulated depreciation are removed from the balance sheet and the net amount is recognized as loss on disposal of assets.

Interest Expense. Interest expense decreased 86.3%, or \$1.1 million, to \$0.2 million for the three months ended March 31, 2021, as compared to \$1.3 million for the three months ended March 31, 2020. The decrease in interest expense was primarily attributable to the decrease in our average debt balance during the three months ended March 31, 2021 compared to the three months ended March 31, 2020. The Company repaid all of its borrowings under the ABL Credit Facility in 2020, and

had no outstanding borrowings during the three months ended March 31, 2021. The interest expense in the three months ended March 31, 2021 relates to the amortization of our capitalized loan origination cost.

Other (Income)/Expense. Other income increased to \$1.8 million for the three months ended March 31, 2021. The increase in other income is primarily attributable to the net refund of approximately \$2.1 million to the Company from the sales and excise and use tax audit and partially offset by an expense related to our lender's commitment fees during the three months ended March 31, 2021.

Income Taxes. Total income tax benefit was \$6.7 million resulting in an effective tax rate of 24.6% for the three months ended March 31, 2021, as compared to income tax benefit of \$0.9 million or an effective tax rate of 10.4% for the three months ended March 31, 2020. The income tax benefit recorded in the three months ended March 31, 2021 is primarily attributable to the higher pre-tax loss in 2021 as compared to 2020. Furthermore, the change in the effective tax rate from 10.4% to 24.6% in the three months ended March 31, 2021 was primarily attributable to nondeductible expenses and discrete items such as stock compensation, reducing the benefit recorded for the pre-tax loss during the three months ended March 31, 2020.

Liquidity and Capital Resources

Our liquidity is currently provided by (i) existing cash balances, (ii) operating cash flows and (iii) borrowings under our ABL Credit Facility, if any. Our primary uses of cash will be to continue to fund our operations, support growth opportunities and satisfy future debt payments, if any. Our borrowing base, as redetermined monthly, is tied to 85.0% of eligible accounts receivable. Changes to our operational activity levels have an impact on our total eligible accounts receivable, which could result in significant changes to our borrowing base and therefore our availability under our ABL Credit Facility. We believe our remaining monthly availability under our ABL Credit Facility will be adversely impacted if the current depressed oil and gas market conditions continue or worsen.

As of March 31, 2021, we had no borrowings under our ABL Credit Facility, and our total liquidity was approximately \$113.7 million, consisting of cash and cash equivalents of \$55.9 million and \$57.8 million of availability under our ABL Credit Facility.

As of May 3, 2021, our total liquidity was approximately \$110.9 million, consisting of cash and cash equivalents of \$51.1 million and \$59.8 million of availability under our ABL Credit Facility.

In 2020, when demand for our services was significantly depressed following the rapidly rising health crisis associated with the COVID-19 pandemic and the energy industry disruptions led by depressed WTI crude oil prices, the Company experienced a significant decrease in its liquidity. In 2021, we have experienced a gradual recovery in the energy industry and crude oil prices and a reduction in the COVID-19 infection rate and the administration of COVID-19 vaccines, which we believe will improve the demand for crude oil and consequently the demand for our pressure pumping services, thus improving our future liquidity. However, the current market conditions resulting from the COVID-19 pandemic could rapidly change and there could be a new outbreak of a COVID-19 variant or the vaccines may not be as effective as anticipated, which could negatively impact the demand for our services and our future revenue, results of operations and cash flows.

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 natural gas prices. Depending on 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 long-term liquidity requirements.

Our ABL Credit Facility, as amended, has a total borrowing capacity of \$300 million (subject to the Borrowing Base limit), with a maturity date of December 19, 2023. The ABL Credit Facility has a borrowing base of 85% of monthly eligible accounts receivable less customary reserves (the "Borrowing Base"). The Borrowing Base as of March 31, 2021 was approximately \$61.5 million and was approximately \$63.5 million as of May 3, 2021. The ABL Credit Facility includes a Springing Fixed Charge Coverage Ratio to apply when excess availability is less than the greater of (i) 10% of the lesser of the facility size or the Borrowing Base or (ii) \$22.5 million. 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. Borrowings under the ABL Credit Facility are secured by a first priority lien and security interest in substantially all assets of the Company.

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 a LIBOR floor of zero. There were no borrowings under the ABL Credit Facility for the three months ended March 31, 2021. As of March 31, 2020, our outstanding borrowings under the ABL Credit Facility were \$110 million, which was subsequently fully repaid before the end of 2020.

In July 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. At the present time, the ABL Credit Facility is subject to LIBOR rates but has a term that extends beyond the end of 2021 when LIBOR will be phased out. We have not yet pursued any technical amendment or other contractual alternative to address this matter. We are currently evaluating the potential impact of eventual replacement of the LIBOR interest rate.

Future Sources and Use of Cash and Contractual Obligations

Our future primary use of cash will be to fund capital expenditures. Capital expenditures for 2021 are projected to be primarily related to maintenance capital expenditures to support our existing assets, including costs to convert our existing conventional Tier II equipment to lower emissions equipment—Tier IV DGB equipment.

We expect that our currently anticipated capital expenditures will be funded by existing cash, cash flows from operations, and, if needed, borrowings under our ABL Credit Facility. However, as noted elsewhere in this quarterly report, we will continually evaluate opportunities to improve our service offerings and other investment and acquisition opportunities that we believe would enhance the competitiveness of our business. Depending upon market conditions and other factors, we may issue equity and debt securities or take other actions necessary to fund our future investment or acquisitions.

In addition, we have option agreements with our equipment manufacturer to purchase additional 108,000 HHP *DuraStim*® hydraulic fracturing equipment through July 31, 2022. We believe the cost to acquire the *DuraStim*® hydraulic fracturing equipment will be comparable to our previously purchased *DuraStim*® hydraulic fracturing equipment. In the current economic environment, it is not probable that we will exercise these options before they expire.

In the normal course of business, we enter into various contractual obligations and routine growth and maintenance capital expenditures that impact our future liquidity. There were no other known future material contractual obligations as of March 31, 2021.

Cash and Cash Flows

The following table sets forth the historical cash flows for the three months ended March 31, 2021 and 2020:

(\$ in thousands)	Three Months Ended March 31,	
	2021	2020
Net cash provided by operating activities	\$ 17,008	\$ 61,724
Net cash used in investing activities	\$ (22,270)	\$ (46,557)
Net cash used in financing activities	\$ (7,651)	\$ (20,486)

Cash Flows From Operating Activities

Net cash provided by operating activities was \$17.0 million for the three months ended March 31, 2021, compared to \$61.7 million for the three months ended March 31, 2020. The net decrease of \$44.7 million was primarily due to the decrease in our activity levels resulting from the decrease in the demand for our services, driven by the depressed crude oil prices and economic impact of the COVID-19 pandemic on our industry, and partially offset with the timing of collections of our receivables from customers and payments to vendors. Our effectively utilized fleet count decreased to approximately 10.3 active fleets during the three months ended March 31, 2021 from approximately 18.6 active fleets for the three months ended March 31, 2020.

Cash Flows From Investing Activities

Net cash used in investing activities decreased to \$22.3 million for the three months ended March 31, 2021, from \$46.6 million for the three months ended March 31, 2020. The decrease was primarily attributable to the lower maintenance capital expenditures associated with lower activity levels during the three months ended March 31, 2021, compared to higher activity levels and associated higher maintenance capital expenditures during the three months ended March 31, 2020.

Cash Flows From Financing Activities

Net cash used in financing activities decreased to \$7.7 million for the three months ended March 31, 2021, from \$20.5 million for the three months ended March 31, 2020. The decrease in cash from financing activities during the three months ended March 31, 2021 was primarily driven by the repayment of \$20.0 million of our borrowings under our ABL Credit Facility during the three months ended March 31, 2020, compared to no repayments of borrowings during the three months ended March 31, 2021.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of March 31, 2021.

Critical Accounting Policies and Estimates

There have been no material changes during the three months ended March 31, 2021 to the methodology applied by our management for critical accounting policies previously disclosed in our Form 10-K. Please refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" in our Form 10-K for a discussion of our critical accounting policies and estimates.

Recently Issued Accounting Standards

Disclosure concerning recently issued accounting standards is incorporated by reference to Note 2 of our Condensed Consolidated Financial Statements (Unaudited) contained in this Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of March 31, 2021, 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 Form 10-K.

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 Form 10-Q. 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 March 31, 2021.

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 quarter ended March 31, 2021 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

In September 2019, a complaint, captioned Richard Logan, Individually and On Behalf of All Others Similarly Situated, Plaintiff, v. ProPetro Holding Corp., et al., (the “Logan Lawsuit”), was filed against the Company and certain of its then current and former officers and directors in the U.S. District Court for the Western District of Texas.

In July 2020, the Logan Lawsuit Lead Plaintiffs Nykredit Portefølje Administration A/S, Oklahoma Firefighters Pension and Retirement System, Oklahoma Law Enforcement Retirement System, Oklahoma Police Pension and Retirement System, and Oklahoma City Employee Retirement System, and additional named plaintiff Police and Fire Retirement System of the City of Detroit, individually and on behalf of a putative class of shareholders who purchased the Company’s common stock between March 17, 2017 and March 13, 2020, filed a third amended class action complaint in the U.S. District Court for the Western District of Texas, alleging violations of Sections 10(b) and 20(a) of the Exchange Act, as amended, and Rule 10b-5 promulgated thereunder, and Sections 11 and 15 of the Securities Act of 1933, as amended, based on allegedly inaccurate or misleading statements, or omissions of material facts, about the Company’s business, operations and prospects against the Company, certain former officers and current and former directors. In August 2020, the Company filed a motion to dismiss the Logan Lawsuit and in September 2020, the plaintiffs filed their opposition. In October 2020, the Company filed its reply brief in support of the motion to dismiss.

In May 2020, the U.S. District Court for the Western District of Texas consolidated two shareholder derivative lawsuits previously filed against the Company and certain of its current and former officers and directors into a single lawsuit captioned *In re ProPetro Holding Corp. Derivative Litigation* (the “Shareholder Derivative Lawsuit”). In August 2020, the plaintiffs in the Shareholder Derivative Lawsuit filed a consolidated complaint alleging (i) breaches of fiduciary duties, (ii) unjust enrichment and (iii) contribution. The plaintiffs did not quantify any alleged damages in their complaint but, in addition to attorneys’ fees and costs, they seek various forms of relief, including (i) damages sustained by the Company as a result of the alleged misconduct, (ii) punitive damages and (iii) equitable relief in the form of improvements to the Company’s governance and controls. In October 2020, the Company and other defendants filed motions to dismiss the Shareholder Derivative Lawsuit and in December 2020, the plaintiffs filed their opposition. In January 2021, the Company and other defendants filed reply briefs in support of the motions to dismiss.

In October 2019, the Company received a letter from the SEC indicating that the SEC had opened an investigation into the Company, which followed the SEC’s issuance of a formal order of investigation, and requesting that the Company provide certain information and documents, including documents related to the Company’s expanded audit committee review and related events. The Company has cooperated and expects to continue to cooperate with the SEC’s investigation.

We are presently unable to predict the duration, scope or result of the Logan Lawsuit, the Shareholder Derivative Lawsuit, the SEC investigation, or any other related lawsuit or investigation. As of March 31, 2021, no provision was made by the Company in connection with these pending lawsuits and the SEC investigation as the final outcome cannot be reasonably estimated.

ITEM 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Part I, Item 1A of our Form 10-K.

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	Amended and Restated Certificate of Incorporation of ProPetro Holding Corp. dated as of June 19, 2019 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, dated June 19, 2019).
3.2	Amended and Restated Bylaws of ProPetro Holding Corp. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, dated June 19, 2019).
3.3	Certificate of Designations of Series B Junior Participating Preferred Stock of ProPetro Holding Corp. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, dated April 14, 2020).
10.1+*	2021 Form of ProPetro Holding Corp. 2020 Long Term Incentive Plan Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement (Employees).
10.2+*	2021 Form of ProPetro Holding Corp. 2020 Long Term Incentive Plan Performance Share Unit Grant Notice and Performance Share Unit Agreement.
31.1*	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act Rules, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act Rules, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 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
104*	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

- + Indicates management contracts or compensatory plans or arrangements.
- * Filed herewith.
- ** Furnished herewith.

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: May 6, 2021

By: /s/ Phillip A. Gobe
Phillip A. Gobe
Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

By: /s/ David S. Schorlemer
David S. Schorlemer
Chief Financial Officer
(Principal Financial Officer)

By: /s/ Elo Omavuezi
Elo Omavuezi
Chief Accounting Officer
(Principal Accounting Officer)

**PROPETRO HOLDING CORP.
2020 LONG TERM INCENTIVE PLAN**

RESTRICTED STOCK UNIT GRANT NOTICE

Pursuant to the terms and conditions of the ProPetro Holding Corp. 2020 Long Term Incentive Plan, as amended from time to time (the “Plan”), ProPetro Holding Corp. (the “Company”) hereby grants to the individual listed below (“you” or “Employee”) the number of Restricted Stock Units (the “RSUs”) set forth below. This award of RSUs (this “Award”) is subject to the terms and conditions set forth herein and in the Restricted Stock Unit Agreement attached hereto as Exhibit A (the “Agreement”) and the Plan, each of which is incorporated herein by reference. Capitalized terms used but not defined herein shall have the meanings set forth in the Plan.

Employee:

Date of Grant:

Total Number of RSUs:

Vesting Commencement Date:

Vesting Schedule:

Electronic Signature:

The Grant Notice may be executed by Employee and the Company by means of electronic or digital signatures, which shall have the same force and effect as manual signatures. By Employee’s electronic or digital signature, Employee: (i) agrees to be bound by the terms of this Grant Notice, the Plan and the Agreement; (ii) acknowledges that he or she 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; (iii) hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Plan, this Grant Notice or the Agreement; and (iv) represents that his or her spouse, civil union partner or registered domestic partner (to the extent applicable) has reviewed and consented to the terms and conditions of this Grant Notice, the Plan and the Agreement. Employee will indemnify and hold harmless the Company and its affiliates, successors and assigns, from and against any and all claims, liabilities, obligations, damages, losses, costs and expenses whatsoever (including reasonable attorney’s fees and disbursements) arising out of or resulting from any and all claims, liabilities, obligations, damages, losses, costs and expenses, claimed or demanded by any current or former spouse, civil union partner or registered domestic partner of Employee and arising of or resulting from this Grant Notice, the Plan, the Agreement or any grants awarded thereunder.

EXHIBIT A

RESTRICTED STOCK UNIT AGREEMENT

This Restricted Stock Unit Agreement (this "Agreement") is made as of the Date of Grant set forth in the Grant Notice to which this Agreement is attached (the "Date of Grant") by and between ProPetro Holding Corp., a Delaware corporation (the "Company"), and [] ("Employee"). Capitalized terms used but not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice.

1. **Award.** In consideration of Employee's past and/or continued service to the Company or an Affiliate and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, effective as of the Date of Grant, the Company hereby grants to Employee the number of RSUs set forth in the Grant Notice on the terms and conditions set forth in the Grant Notice, this Agreement and the Plan, which is incorporated herein by reference as a part of this Agreement. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control. To the extent vested, each RSU represents the right to receive one share of Stock or, at the option of the Company, an amount of cash as set forth in Section 3, in either case, at the times and subject to the terms and conditions set forth in the Grant Notice, this Agreement and the Plan. Unless and until the RSUs have become vested in the manner set forth in the Grant Notice, Employee will have no right to receive any Stock or other payments in respect of the RSUs. Prior to settlement of this Award, the RSUs and this Award represent an unsecured obligation of the Company, payable only from the general assets of the Company.

2. **Vesting of RSUs.**

(a) Except as otherwise set forth in this Section 2, the RSUs shall vest in accordance with the vesting schedule set forth in the Grant Notice. Unless and until the RSUs have vested in accordance with such vesting schedule, Employee will have no right to receive any dividends or other distribution with respect to the RSUs. In the event of the termination of Employee's employment with the Company or its Subsidiary prior to the vesting of all of the RSUs (but after giving effect to any accelerated vesting pursuant to this Section 2), any unvested RSUs (and all rights arising from such RSUs and from being a holder thereof) will terminate automatically without any further action by the Company and will be forfeited without further notice and at no cost to the Company.

[]

3. **Settlement of RSUs.** As soon as administratively practicable following the vesting of RSUs pursuant to Section 2, but in no event later than 60 days after such vesting date, the Company shall deliver to Employee (or Employee's permitted transferee, if applicable) a number of shares of Stock equal to the number of RSUs subject to this Award that become vested on the applicable vesting date, including any RSUs received pursuant to Section 4, or, at the discretion of the Committee, an amount of cash equal to the product of (i) the Fair Market Value of one share of Stock on the day immediately preceding the applicable distribution or

payment date and (ii) the number of shares of Stock subject to Employee's RSUs, including any RSUs received pursuant to Section 4. Any fractional RSU that becomes vested hereunder shall be rounded down at the time shares of Stock are issued in settlement of such RSU. No fractional shares of Stock, nor the cash value of any fractional shares of Stock, will be issuable or payable to Employee pursuant to this Agreement. All shares of Stock issued hereunder shall be delivered either by delivering one or more certificates for such shares to Employee or by entering such shares in book-entry form, as determined by the Committee in its sole discretion. The value of shares of Stock shall not bear any interest owing to the passage of time. Neither this Section 3 nor any action taken pursuant to or in accordance with this Agreement shall be construed to create a trust or a funded or secured obligation of any kind.

4. **Dividend Equivalent Rights.** Each RSU subject to this Award is hereby granted in tandem with a corresponding Dividend Equivalent, which Dividend Equivalent shall remain outstanding from the Date of Grant until the earlier of the settlement or forfeiture of the RSU to which it corresponds. Each Dividend Equivalent shall entitle Employee to receive payments, subject to and in accordance with this Agreement, in an amount equal to any ordinary cash dividends paid by the Company in respect of the shares of Stock underlying the RSU to which such Dividend Equivalent relates. All such payments shall be credited to Employee and be deemed to be reinvested in additional RSUs as of the date of payment of any such ordinary cash dividend based on the Fair Market Value of one 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.

5. **Rights as Stockholder.** Neither Employee nor any person claiming under or through Employee shall have any of the rights or privileges of a holder of shares of Stock in respect of any shares that may become deliverable hereunder unless and until certificates representing such shares have been issued or recorded in book entry form on the records of the Company or its transfer agents or registrars, and delivered in certificate or book entry form to Employee or any person claiming under or through Employee.

6. **Tax Withholding.** To the extent that the receipt, vesting or settlement of the RSUs results in compensation income or wages to Employee for federal, state, local or foreign tax purposes, Employee shall deliver to the Company or to any Affiliate nominated by the Company at the time of such receipt or lapse, as the case may be, such amount of money or, if permitted by the Committee in its sole discretion, either (i) shares of Stock as the Company or any Affiliate nominated by the Company may require to meet its obligations under applicable tax or social security laws or regulations or (ii) notice that (a) Employee has placed a market sale order with a broker acceptable to the Company with respect to the shares of Stock then issuable to Employee pursuant to the RSUs and (b) that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company or the Affiliate with respect to which the withholding obligation arises in satisfaction of such withholding taxes at such time as may be required by the Committee (but not later than the settlement of such sale), and if Employee fails to do so, the Company and its Affiliates are authorized to withhold, or cause to be withheld, from any cash or stock remuneration (including withholding any shares of Stock otherwise deliverable

to Employee under this Agreement) then or thereafter payable to Employee in an amount equal to any tax or social security required to be withheld by reason of such resulting compensation income or wages, and to take such other action as may be necessary in the opinion of the Company to satisfy such withholding obligation. If such tax obligations are satisfied through the withholding of shares of Stock that are otherwise issuable to Employee pursuant to this Award (or through the surrender of shares of Stock by Employee to the Company), the maximum number of shares of Stock that may be so withheld (or surrendered) shall be the number of shares of Stock that have an aggregate Fair Market Value on the date of withholding or surrender equal to the aggregate amount of such tax liabilities, determined based on the greatest withholding rates for federal, state, local and/or foreign tax purposes, including payroll taxes, that may be utilized without creating adverse accounting treatment for the Company with respect to such Award, as determined by the Committee. Notwithstanding the foregoing, to the extent any cash payments are made to Employee under this Agreement, tax withholding obligations related thereto will be withheld from such payments. Employee acknowledges that there may be adverse tax consequences upon the receipt, vesting or settlement of the PSUs or disposition of the underlying shares of Stock and that Employee has been advised, and hereby is advised, to consult a tax advisor. Employee acknowledges and agrees that none of the Board, the Committee, the Company or any of its Affiliates have made any representation or warranty as to the tax consequences to Employee as a result of the receipt of the RSUs, the vesting of the RSUs or the forfeiture of any of the RSUs. Employee represents that Employee is in no manner relying on the Board, the Committee, the Company or any of its Affiliates or any of their respective managers, directors, officers, employees or authorized representatives (including, without limitation, attorneys, accountants, consultants, bankers, lenders, prospective lenders and financial representatives) for tax advice or an assessment of such tax consequences.

7. **Restrictive Covenants.**

(a) Employee hereby agrees that Employee 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, Employee 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 in which any member of the Company Group operates within the United States or any other country, involving the creation, design, invention, engineering, marketing, manufacture, distribution, or sale of any product or the provision of any service that may be used as a substitute for or otherwise competes with any product or service of the Company Group, or if the Company Group or any of its Affiliates has taken active steps to engage in or acquire an interest in the same or substantially similar business or activity; but, with respect to both clauses (i) and (ii) of this Section 7(a), only if Employee, in the course of rendering services to such Person, 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, Employee or in any other capacity). Notwithstanding the foregoing, Employee 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 of the outstanding interest in such business. Further, notwithstanding the foregoing, this Section 7(a) and clause (i) of Section 7(b) below shall not apply following the Cessation Date within the State of Oklahoma. Instead, following the Cessation Date, within the State of Oklahoma, the restrictions on Employee's engagement in business or activities (in addition to all restrictions set forth in clauses (ii) and (iii) of Section 7(b) below, and the rest of this Section 7) shall be as follows: during that portion of the Noncompetition Restricted Period and Nonsolicitation Restricted Period that begins on the Cessation Date, Employee shall not directly solicit the sale of goods, services or a combination of goods and services from established customers of the Company or any other member of the Company Group.

(b) Employee hereby agrees that Employee shall not, at any time during the Nonsolicitation Restricted Period, directly or indirectly, either for Employee or on behalf of any other Person, recruit or otherwise solicit or induce any customer or supplier of the Company Group, who or which is or was a customer or supplier of the Company Group during the period that Employee is or was employed or engaged by any member of the Company Group or about whom or which Employee had access to Proprietary Information, to terminate his, her or its arrangement with the Company Group, or otherwise change his, her or its relationship with the Company Group, recruit or otherwise solicit or induce any employee of the Company Group to terminate his, her or its employment or arrangement with the Company Group, or hire, or cause to be hired, any person who was employed by the Company Group at any time during the 12-month period immediately prior to date of Employee's termination of employment with the Company or its Subsidiary or who thereafter becomes employed by the Company Group.

(c) Except as Employee reasonably and in good faith determines to be required in the faithful performance of Employee's duties for the Company Group or in accordance with Section 7(e), Employee shall, during Employee'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 Employee'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. Employee's obligation to maintain and not use, disseminate, disclose or publish, or use for Employee'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 Employee'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 Employee that, notwithstanding anything to the contrary herein, Employee shall not be in breach of this Section 7(c) and shall not be held criminally or civilly liable under any federal or state trade secret law 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 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 if Employee files a lawsuit for retaliation by the Company Group for reporting a suspected violation of law, Employee may disclose a trade secret to Employee's attorney, and may use trade secret information in the court proceeding, if Employee files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

(d) Upon Employee's termination of employment with the Company or its Subsidiary for any reason, Employee will promptly deliver to the Company Group 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 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.

(e) Employee 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 Employee (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. Employee does not need the prior authorization of the Company Group to make any such reports or disclosures and Employee shall not be not required to notify the Company Group that such reports or disclosures have been made.

(f) Employee 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 Employee may confer in confidence with Employee's legal representatives and make truthful statements as required by law.

(g) Prior to accepting other employment or any other service relationship during the Noncompetition Restricted Period, Employee shall provide a copy of this Section 7 to any recruiter who assists Employee in obtaining other employment or any other service relationship and to any employer or other Person with which Employee discusses potential employment or any other service relationship.

(h) Employee acknowledges and agrees that the covenants in this Section 7 are reasonable and enforceable in all respects and are necessary and essential to protect the Proprietary Information and goodwill of each member of the Company Group. In the event the terms of this Section 7 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 Employee of the provisions of this Section 7 shall toll the running of any time periods set forth in this Section 7 for the duration of any such breach or violation.

(i) Employee acknowledges and agrees that the grant of the RSUs further aligns Employee's interests with those of the Company Group, and as a condition of the Company's grant of RSUs to Employee, in addition to any other consideration provided to Employee pursuant to this Agreement, Employee agrees to abide by the terms of this Agreement, including Section 7 hereof, and any other agreement by and between Employee and any Company Group Member. Notwithstanding any other provision of this Agreement that may provide to the contrary, in the event of Employee's violation of any restrictive covenant within this Section 7 or any other agreement by and between Employee and any Company Group Member, as determined by the Company, in its sole discretion, then the RSUs shall immediately be terminated and forfeited in its entirety and Employee shall pay to the Company in cash any amounts paid to Employee 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, Employee 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 Employee by any Company Group Member), by the amounts Employee owes to the Company under this Section 7(i). To the extent such amounts are not recovered by the Company through such set-off, Employee 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 Employee for Employee's breach of this Agreement or any other agreement. Employee's obligations under this Section 7(i) shall be cumulative (but not duplicative) of any similar obligations Employee may have pursuant to this Agreement or any other agreement with any Company Group Member.

(j) Employee recognizes and acknowledges that a breach of the covenants contained in this Section 7 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, Employee agrees that in the event of a breach of any of the covenants contained in this Section 7, 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.

(k) For purposes of this Section 7, the following definitions shall apply:

(i)“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.

(ii)“Cessation Date” shall mean the date of Employee’s termination of employment with the Company or its Subsidiary (regardless of the reason for such termination).

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

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

8. **Non-Transferability.** During the lifetime of Employee, 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 of Stock underlying the RSUs have been issued, and all restrictions applicable to such shares have lapsed. Neither the RSUs nor any interest or right therein shall be liable for the debts, contracts or engagements of Employee 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.

9. **Compliance with Securities Law.** Notwithstanding any provision of this Agreement to the contrary, the issuance of shares of Stock hereunder will be subject to compliance with all applicable requirements of applicable law with respect to such securities and with the requirements of any stock exchange or market system upon which the Stock may then be listed. No shares of Stock will be issued hereunder if such issuance would constitute a violation of any applicable law or regulation or the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, shares of Stock will not be issued hereunder unless (a) a registration statement under the Securities Act is in effect at the time of such issuance with respect to the shares to be issued or (b) in the opinion of legal counsel to the Company, the shares to be issued are permitted to be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company’s legal counsel to be necessary for the lawful issuance and sale of any shares of Stock hereunder will relieve the Company of any liability in respect of the failure

to issue such shares as to which such requisite authority has not been obtained. As a condition to any issuance of Stock hereunder, the Company may require Employee to satisfy any requirements that may be necessary or appropriate to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect to such compliance as may be requested by the Company.

10. **Legends.** If a stock certificate is issued with respect to shares of Stock delivered hereunder, such certificate shall bear such legend or legends as the Committee deems appropriate in order to reflect the restrictions set forth in this Agreement and to ensure compliance with the terms and provisions of this Agreement, the rules, regulations and other requirements of the SEC, any applicable laws or the requirements of any stock exchange on which the Stock is then listed. If the shares of Stock issued hereunder are held in book-entry form, then such entry will reflect that the shares are subject to the restrictions set forth in this Agreement.

11. **Execution of Receipts and Releases.** Any payment of cash or any issuance or transfer of shares of Stock or other property to Employee or Employee's legal representative, heir, legatee or distributee, in accordance with this Agreement shall be in full satisfaction of all claims of such person hereunder. As a condition precedent to such payment or issuance, the Company may require Employee or Employee's legal representative, heir, legatee or distributee to execute (and not revoke within any time provided to do so) a release and receipt therefor in such form as it shall determine appropriate; provided, however, that any review period under such release will not modify the date of settlement with respect to vested RSUs.

12. **No Right to Continued Employment or Awards.**

(a) For purposes of this Agreement, Employee shall be considered to be employed by the Company as long as Employee remains an employee of the Company or any Affiliate, or an employee of a corporation or other entity (or a parent or subsidiary of such corporation or other entity) assuming or substituting a new award for this Award. Without limiting the scope of the preceding sentence, it is specifically provided that Employee shall be considered to have terminated his or her employment with the Company at the time of the termination of the "Affiliate" status of the entity or other organization that employs Employee. Nothing in the adoption of the Plan, nor the award of the RSUs thereunder pursuant to the Grant Notice and this Agreement, shall confer upon Employee the right to continued employment by, or a continued service relationship with, the Company or any such Affiliate, or any other entity, or affect in any way the right of the Company or any such Affiliate, or any other entity to terminate such employment at any time. Unless otherwise provided in a written employment agreement or by applicable law, Employee's employment by the Company, or any such Affiliate, or any other entity shall be on an at-will basis, and the employment relationship may be terminated at any time by either Employee or the Company, or any such Affiliate, or any other entity for any reason whatsoever, with or without cause or notice. Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Committee or its delegate, and such determination shall be final, conclusive and binding for all purposes.

(b) The grant of the RSUs is a one-time benefit and does not create any contractual or other right to receive a grant of Awards or benefits in lieu of Awards in the future. Future plans will be at the sole discretion of the Company.

13. **Notices.** Any notices or other communications provided for in this Agreement shall be sufficient if in writing. In the case of Employee, such notices or communications shall be effectively delivered if hand delivered to Employee at Employee's principal place of employment or if sent by registered or certified mail to Employee at the last address Employee has filed with the Company. In the case of the Company, such notices or communications shall be effectively delivered if sent by registered or certified mail to the Company at its principal executive offices.

14. **Agreement to Furnish Information.** Employee agrees to furnish to the Company all information requested by the Company to enable it to comply with any reporting or other requirement imposed upon the Company by or under any applicable statute or regulation.

15. **Entire Agreement; Amendment.** This Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to the RSUs granted hereby; provided, however, that the terms of this Agreement shall not modify and shall be subject to the terms and conditions of any employment agreement between Employee and a Company Group Member or a severance plan in which Employee participates, in each case, in effect as of the date a determination is to be made under this Agreement. Without limiting the scope of the preceding sentence, except as provided therein, all prior understandings and agreements, if any, among the parties hereto relating to the subject matter hereof are hereby null and void and of no further force and effect. The Committee may, in its sole discretion, amend this Agreement from time to time in any manner that is not inconsistent with the Plan; provided, however, that except as otherwise provided in the Plan or this Agreement, any such amendment that materially reduces the rights of Employee shall be effective only if it is in writing and signed by both Employee and an authorized officer of the Company.

16. **Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to conflicts of law principles thereof.

17. **Successors and Assigns.** The Company may assign any of its rights under this Agreement without Employee's consent. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein and in the Plan, this Agreement will be binding upon Employee and Employee's beneficiaries, executors, administrators and the person(s) to whom the RSUs may be transferred by will or the laws of descent or distribution.

18. **Clawback.** Notwithstanding any provision in this Agreement, the Grant Notice or the Plan to the contrary, to the extent required by (a) applicable law, including, without limitation, the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, any SEC rule or any applicable securities exchange listing standards and/or (b) any

policy that may be adopted or amended by the Board from time to time, all shares of Stock issued hereunder shall be subject to forfeiture, repurchase, recoupment and/or cancellation to the extent necessary to comply with such law(s) and/or policy.

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

20. **Severability.** If a court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then the invalidity or unenforceability of such provision shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect.

21. **Nonqualified Deferred Compensation Rules.** None of the RSUs, Dividend Equivalents or any amounts payable pursuant to this Agreement are intended to constitute or provide for a deferral of compensation that is subject to the Nonqualified Deferred Compensation Rules. Nevertheless, to the extent that the Committee determines that the RSUs or Dividend Equivalents may not be exempt from the Nonqualified Deferred Compensation Rules, then, if Employee is deemed to be a “specified employee” within the meaning of the Nonqualified Deferred Compensation Rules, as determined by the Committee, at a time when Employee becomes eligible for settlement of the RSUs upon his “separation from service” within the meaning of the Nonqualified Deferred Compensation Rules, then to the extent necessary to prevent any accelerated or additional tax under the Nonqualified Deferred Compensation Rules, such settlement will be delayed until the earlier of: (a) the date that is six months following Employee’s separation from service and (b) Employee’s death. Notwithstanding the foregoing, the Company makes no representations that the payments provided under this Agreement are exempt from or compliant with the Nonqualified Deferred Compensation Rules and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by Employee on account of non-compliance with the Nonqualified Deferred Compensation Rules.

22. **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 6 hereof: 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; 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; Employee will be responsible for all broker’s fees and other costs of sale, and Employee agrees to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale; to the extent the proceeds of such sale exceed the applicable tax withholding obligation, the Company agrees to pay such excess in cash to Employee as soon as reasonably practicable; Employee 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 in the event the proceeds of such sale are insufficient to satisfy the applicable tax withholding obligation, Employee 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.

[Remainder of Page Intentionally Blank]

Exhibit A-11

**PROPETRO HOLDING CORP.
2020 LONG TERM INCENTIVE PLAN**

PERFORMANCE SHARE UNIT GRANT NOTICE

Pursuant to the terms and conditions of the ProPetro Holding Corp. 2020 Long Term Incentive Plan, as amended from time to time (the “Plan”), ProPetro Holding Corp. (the “Company”) hereby grants to the individual listed below (“you” or “Employee”) the target number of Performance Share Units (the “PSUs”) set forth below. This award of PSUs (this “Award”) is subject to the terms and conditions set forth herein and in the Performance Share Unit Agreement attached hereto as Exhibit A (the “Agreement”) and the Plan, each of which is incorporated herein by reference. Capitalized terms used but not defined herein shall have the meanings set forth in the Plan.

Employee: []
Date of Grant: []
Performance Period: [] through []
Target Number of PSUs: [] (the “Target Amount of PSUs”)
Earning of PSUs: []

Electronic Signature:

The Grant Notice may be executed by Employee and the Company by means of electronic or digital signatures, which shall have the same force and effect as manual signatures. By Employee’s electronic or digital signature, Employee: (i) agrees to be bound by the terms of this Grant Notice, the Plan and the Agreement; (ii) acknowledges that he or she 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; (iii) hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Plan, this Grant Notice or the Agreement; and (iv) represents that his or her spouse, civil union partner or registered domestic partner (to the extent applicable) has reviewed and consented to the terms and conditions of this Grant Notice, the Plan and the Agreement. Employee will indemnify and hold harmless the Company and its affiliates, successors and assigns, from and against any and all claims, liabilities, obligations, damages, losses, costs and expenses whatsoever (including reasonable attorney’s fees and disbursements) arising out of or resulting from any and all claims, liabilities, obligations, damages, losses, costs and expenses, claimed or demanded by any current or former spouse, civil union partner or registered domestic partner of Employee and arising of or resulting from this Grant Notice, the Plan, the Agreement or any grants awarded thereunder.

EXHIBIT A

PERFORMANCE SHARE UNIT AGREEMENT

This Performance Share Unit Agreement (this “Agreement”) is made as of the Date of Grant set forth in the Grant Notice to which this Agreement is attached (the “Date of Grant”) by and between ProPetro Holding Corp., a Delaware corporation (the “Company”), and [] (“Employee”). Capitalized terms used but not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice.

1. **Award.** In consideration of Employee’s past and/or continued service to the Company or an Affiliate and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, effective as of the Date of Grant, the Company hereby grants to Employee the Target Amount of PSUs set forth in the Grant Notice on the terms and conditions set forth in the Grant Notice, this Agreement and the Plan, which is incorporated herein by reference as a part of this Agreement. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control. To the extent earned, each PSU represents the right to receive one share of Stock or, at the option of the Company, an amount of cash as set forth in Section 3, in either case, at the times and subject to the terms and conditions set forth in the Grant Notice, this Agreement and the Plan; provided, however, that, depending on the level of performance determined to be attained with respect to the Performance Goal, the number of shares of Stock (or cash, as applicable) that may be earned hereunder in respect of this Award may range from []% to []% of the Target Amount of PSUs. Unless and until the PSUs have become earned in the manner set forth in the Grant Notice and this Agreement, Employee will have no right to receive any Stock or other payments in respect of the PSUs. Prior to settlement of this Award, the PSUs and this Award represent an unsecured obligation of the Company, payable only from the general assets of the Company.

2. **Earning of PSUs.**

(a) Following the end of the performance period set forth in the Grant Notice (the “Performance Period”), the Committee will determine the level of achievement of the Performance Goal for the Performance Period as set forth in Exhibit B. The number of PSUs, if any, that shall vest and become earned with respect to the Performance Period will be determined by the Committee in accordance with the Grant Notice and Exhibit B following the end of the Performance Period (and any PSUs that do not become earned at the end of the Performance Period shall be automatically forfeited). The date on which the Committee determines the extent to which the Performance Goal has been achieved is referred to herein as the “Final Determination Date.” To the extent earned, the PSUs shall become vested on the Final Determination Date, subject to Employee’s continued employment through the end of the Performance Period. Unless and until the PSUs have become earned and settled in accordance with Section 3, Employee will have no right to receive any dividends or other distribution with respect to the PSUs. In the event of the termination of Employee’s employment with the Company or its Subsidiary prior to the end of the Performance Period (but after giving effect to any accelerated vesting pursuant to this Section 2), all of the PSUs (and all rights arising from such PSUs and from being a holder thereof) will terminate automatically without any further

action by the Company and will be forfeited without further notice and at no cost to the Company.

[_____].

3. **Settlement of PSUs.** Except as provided in Section 2(c), subject to Employee's continued employment through the end of the Performance Period, as soon as administratively practicable following the Final Determination Date (or such other vesting date as set forth in Section 2(c)), but in no event later than 60 days after the Final Determination Date (or such other vesting date as set forth in Section 2(c)), the Company shall deliver to Employee (or Employee's permitted transferee, if applicable) a number of shares of Stock equal to the number of PSUs subject to this Award that become earned for the Performance Period based on the level of achievement of the Performance Goal as determined by the Committee in accordance with Section 2, or, at the discretion of the Committee, an amount of cash equal to the product of (i) the Fair Market Value of one share of Stock on the day immediately preceding the applicable distribution or payment date and (ii) the number of shares of Stock subject to Employee's earned PSUs. Any fractional PSU that becomes vested hereunder shall be rounded down at the time shares of Stock are issued in settlement of such PSU. No fractional shares of Stock, nor the cash value of any fractional shares of Stock, will be issuable or payable to Employee pursuant to this Agreement. All shares of Stock issued hereunder shall be delivered either by delivering one or more certificates for such shares to Employee or by entering such shares in book-entry form, as determined by the Committee in its sole discretion. The value of shares of Stock shall not bear any interest owing to the passage of time. Neither this Section 3 nor any action taken pursuant to or in accordance with this Agreement shall be construed to create a trust or a funded or secured obligation of any kind.

4. **Dividend Equivalent Rights.** Each PSU subject to this Award is hereby granted in tandem with a corresponding Dividend Equivalent, which Dividend Equivalent shall remain outstanding from the Date of Grant until the earlier of the settlement or forfeiture of the PSU to which it corresponds. Each Dividend Equivalent shall entitle Employee to receive payments, subject to and in accordance with this Agreement, in an amount equal to any ordinary cash dividends paid by the Company in respect of the shares of Stock underlying the PSU to which such Dividend Equivalent relates. 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. To the extent the underlying PSUs are earned, Dividend Equivalents (including any Dividend Equivalent Account balance) will be paid in Stock or cash at the Company's option at the same time the PSUs are settled as set forth in Section 3.

5. **Rights as Stockholder.** Neither Employee nor any person claiming under or through Employee shall have any of the rights or privileges of a holder of shares of Stock in respect of any shares that may become deliverable hereunder unless and until certificates representing such shares have been issued or recorded in book entry form on the records of the

Company or its transfer agents or registrars, and delivered in certificate or book entry form to Employee or any person claiming under or through Employee.

6. **Tax Withholding.** To the extent that the receipt, vesting or settlement of the PSUs results in compensation income or wages to Employee for federal, state, local or foreign tax purposes, Employee shall deliver to the Company or to any Affiliate nominated by the Company at the time of such receipt or lapse, as the case may be, such amount of money or, if permitted by the Committee in its sole discretion, either (i) shares of Stock as the Company or any Affiliate nominated by the Company may require to meet its obligations under applicable tax or social security laws or regulations or (ii) notice that (a) Employee has placed a market sale order with a broker acceptable to the Company with respect to the shares of Stock then issuable to Employee pursuant to the PSUs and (b) that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company or the Affiliate with respect to which the withholding obligation arises in satisfaction of such withholding taxes at such time as may be required by the Committee (but not later than the settlement of such sale), and if Employee fails to do so, the Company and its Affiliates are authorized to withhold, or cause to be withheld, from any cash or stock remuneration (including withholding any shares of Stock otherwise deliverable to Employee under this Agreement) then or thereafter payable to Employee in an amount equal to any tax or social security required to be withheld by reason of such resulting compensation income or wages, and to take such other action as may be necessary in the opinion of the Company to satisfy such withholding obligation. If such tax obligations are satisfied through the withholding of shares of Stock that are otherwise issuable to Employee pursuant to this Award (or through the surrender of shares of Stock by Employee to the Company), the maximum number of shares of Stock that may be so withheld (or surrendered) shall be the number of shares of Stock that have an aggregate Fair Market Value on the date of withholding or surrender equal to the aggregate amount of such tax liabilities determined based on the greatest withholding rates for federal, state, local and/or foreign tax purposes, including payroll taxes, that may be utilized without creating adverse accounting treatment for the Company with respect to such Award, as determined by the Committee. Notwithstanding the foregoing, to the extent any cash payments are made to Employee under this Agreement, tax withholding obligations related thereto will be withheld from such payments. Employee acknowledges that there may be adverse tax consequences upon the receipt, vesting or settlement of the PSUs or disposition of the underlying shares of Stock and that Employee has been advised, and hereby is advised, to consult a tax advisor. Employee acknowledges and agrees that none of the Board, the Committee, the Company or any of its Affiliates have made any representation or warranty as to the tax consequences to Employee as a result of the receipt of the PSUs, the earning of the PSUs or the forfeiture of any of the PSUs. Employee represents that Employee is in no manner relying on the Board, the Committee, the Company or any of its Affiliates or any of their respective managers, directors, officers, employees or authorized representatives (including, without limitation, attorneys, accountants, consultants, bankers, lenders, prospective lenders and financial representatives) for tax advice or an assessment of such tax consequences.

7. **Restrictive Covenants.**

(a) Employee hereby agrees that Employee 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, Employee 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 in which any member of the Company Group operates within the United States or any other country, involving the creation, design, invention, engineering, marketing, manufacture, distribution, or sale of any product or the provision of any service that may be used as a substitute for or otherwise competes with any product or service of the Company Group, or if the Company Group or any of its Affiliates has taken active steps to engage in or acquire an interest in the same or substantially similar business or activity; but, with respect to both clauses (i) and (ii) of this Section 7(a), only if Employee, in the course of rendering services to such Person, 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, Employee or in any other capacity). Notwithstanding the foregoing, Employee 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 of the outstanding interest in such business. Further, notwithstanding the foregoing, this Section 7(a) and clause (i) of Section 7(b) below shall not apply following the Cessation Date within the State of Oklahoma. Instead, following the Cessation Date, within the State of Oklahoma, the restrictions on Employee's engagement in business or activities (in addition to all restrictions set forth in clauses (ii) and (iii) of Section 7(b) below, and the rest of this Section 7) shall be as follows: during that portion of the Noncompetition Restricted Period and Nonsolicitation Restricted Period that begins on the Cessation Date, Employee shall not directly solicit the sale of goods, services or a combination of goods and services from established customers of the Company or any other member of the Company Group.

(b) Employee hereby agrees that Employee shall not, at any time during the Nonsolicitation Restricted Period, directly or indirectly, either for Employee or on behalf of any other Person, recruit or otherwise solicit or induce any customer or supplier of the Company Group, who or which is or was a customer or supplier of the Company Group during the period that Employee is or was employed or engaged by any member of the Company Group or about whom or which Employee had access to Proprietary Information, to terminate his, her or its arrangement with the Company Group, or otherwise change his, her or its relationship with the Company Group, recruit or otherwise solicit or induce any employee of the Company Group to terminate his, her or its employment or arrangement with the Company Group, or hire, or cause to be hired, any person who was employed by the Company Group at any time during the 12-month period immediately prior to date of Employee's termination of employment with the Company or its Subsidiary or who thereafter becomes employed by the Company Group.

(c) Except as Employee reasonably and in good faith determines to be required in the faithful performance of Employee's duties for the Company Group or in accordance with Section 7(e), Employee shall, during Employee'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 Employee'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. Employee's obligation to maintain and not use, disseminate, disclose or publish, or use for Employee'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 Employee'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 Employee that, notwithstanding anything to the contrary herein, Employee shall not be in breach of this Section 7(c) and shall not be held criminally or civilly liable under any federal or state trade secret law 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 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 if Employee files a lawsuit for retaliation by the Company Group for reporting a suspected violation of law, Employee may disclose a trade secret to Employee's attorney, and may use trade secret information in the court proceeding, if Employee files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

(d) Upon Employee's termination of employment with the Company or its Subsidiary for any reason, Employee will promptly deliver to the Company Group 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 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.

(e) Employee 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 Employee (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. Employee does not need the prior authorization of the Company Group to make any such reports or disclosures and Employee shall not be not required to notify the Company Group that such reports or disclosures have been made.

(f) Employee 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 Employee may confer in confidence with Employee's legal representatives and make truthful statements as required by law.

(g) Prior to accepting other employment or any other service relationship during the Noncompetition Restricted Period, Employee shall provide a copy of this Section 7 to any recruiter who assists Employee in obtaining other employment or any other service relationship and to any employer or other Person with which Employee discusses potential employment or any other service relationship.

(h) Employee acknowledges and agrees that the covenants in this Section 7 are reasonable and enforceable in all respects and are necessary and essential to protect the Proprietary Information and goodwill of each member of the Company Group. In the event the terms of this Section 7 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 Employee of the provisions of this Section 7 shall toll the running of any time periods set forth in this Section 7 for the duration of any such breach or violation.

(i) Employee acknowledges and agrees that the grant of the PSUs further aligns Employee's interests with those of the Company Group, and as a condition of the Company's grant of PSUs to Employee, in addition to any other consideration provided to Employee pursuant to this Agreement, Employee agrees to abide by the terms of this Agreement, including Section 7 hereof, and any other agreement by and between Employee and any Company Group Member. Notwithstanding any other provision of this Agreement that may provide to the contrary, in the event of Employee's violation of any restrictive covenant within this Section 7 or any other agreement by and between Employee and any Company Group Member, as determined by the Company, in its sole discretion, then the PSUs shall immediately be terminated and forfeited in its entirety and Employee shall pay to the Company in cash any

amounts paid to Employee 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, Employee 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 Employee by any Company Group Member), by the amounts Employee owes to the Company under this Section 7(i). To the extent such amounts are not recovered by the Company through such set-off, Employee 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 Employee for Employee's breach of this Agreement or any other agreement. Employee's obligations under this Section 7(i) shall be cumulative (but not duplicative) of any similar obligations Employee may have pursuant to this Agreement or any other agreement with any Company Group Member.

(j) Employee recognizes and acknowledges that a breach of the covenants contained in this Section 7 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, Employee agrees that in the event of a breach of any of the covenants contained in this Section 7, 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.

(k) For purposes of this Section 7, the following definitions shall apply:

(i) "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.

(ii) "Cessation Date" shall mean the date of Employee's termination of employment with the Company or its Subsidiary (regardless of the reason for such termination).

(iii) "Noncompetition Restricted Period" shall mean the period from the Date of Grant through the first anniversary of the Cessation Date.

(iv) "Nonsolicitation Restricted Period" shall mean the period from the Date of Grant through the second anniversary of the Cessation Date.

8. **Non-Transferability.** During the lifetime of Employee, the PSUs 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 of Stock underlying the PSUs have been issued, and all restrictions applicable to such shares have lapsed. Neither the PSUs nor any interest or right therein shall be liable for the debts, contracts or engagements of Employee 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.

9. **Compliance with Securities Law.** Notwithstanding any provision of this Agreement to the contrary, the issuance of shares of Stock hereunder will be subject to compliance with all applicable requirements of applicable law with respect to such securities and with the requirements of any stock exchange or market system upon which the Stock may then be listed. No shares of Stock will be issued hereunder if such issuance would constitute a violation of any applicable law or regulation or the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, shares of Stock will not be issued hereunder unless (a) a registration statement under the Securities Act is in effect at the time of such issuance with respect to the shares to be issued or (b) in the opinion of legal counsel to the Company, the shares to be issued are permitted to be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary for the lawful issuance and sale of any shares of Stock hereunder will relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority has not been obtained. As a condition to any issuance of Stock hereunder, the Company may require Employee to satisfy any requirements that may be necessary or appropriate to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect to such compliance as may be requested by the Company.

10. **Legends.** If a stock certificate is issued with respect to shares of Stock delivered hereunder, such certificate shall bear such legend or legends as the Committee deems appropriate in order to reflect the restrictions set forth in this Agreement and to ensure compliance with the terms and provisions of this Agreement, the rules, regulations and other requirements of the SEC, any applicable laws or the requirements of any stock exchange on which the Stock is then listed. If the shares of Stock issued hereunder are held in book-entry form, then such entry will reflect that the shares are subject to the restrictions set forth in this Agreement.

11. **Execution of Receipts and Releases.** Any payment of cash or any issuance or transfer of shares of Stock or other property to Employee or Employee's legal representative, heir, legatee or distributee, in accordance with this Agreement shall be in full satisfaction of all claims of such person hereunder. As a condition precedent to such payment or issuance, the Company may require Employee or Employee's legal representative, heir, legatee or distributee to execute (and not revoke within any time provided to do so) a release and receipt therefor in such form as it shall determine appropriate; provided, however, that any review period under such release will not modify the date of settlement with respect to earned PSUs.

12. **No Right to Continued Employment or Awards.**

(a) For purposes of this Agreement, Employee shall be considered to be employed by the Company as long as Employee remains an employee of the Company or any Affiliate, or an employee of a corporation or other entity (or a parent or subsidiary of such corporation or other entity) assuming or substituting a new award for this Award. Without

limiting the scope of the preceding sentence, it is specifically provided that Employee shall be considered to have terminated his or her employment with the Company at the time of the termination of the "Affiliate" status of the entity or other organization that employs Employee. Nothing in the adoption of the Plan, nor the award of the PSUs thereunder pursuant to the Grant Notice and this Agreement, shall confer upon Employee the right to continued employment by, or a continued service relationship with, the Company or any such Affiliate, or any other entity, or affect in any way the right of the Company or any such Affiliate, or any other entity to terminate such employment at any time. Unless otherwise provided in a written employment agreement or by applicable law, Employee's employment by the Company, or any such Affiliate, or any other entity shall be on an at-will basis, and the employment relationship may be terminated at any time by either Employee or the Company, or any such Affiliate, or any other entity for any reason whatsoever, with or without cause or notice. Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Committee or its delegate, and such determination shall be final, conclusive and binding for all purposes.

(b) The grant of the PSUs is a one-time benefit and does not create any contractual or other right to receive a grant of Awards or benefits in lieu of Awards in the future. Future plans will be at the sole discretion of the Company.

13. **Notices.** Any notices or other communications provided for in this Agreement shall be sufficient if in writing. In the case of Employee, such notices or communications shall be effectively delivered if hand delivered to Employee at Employee's principal place of employment or if sent by registered or certified mail to Employee at the last address Employee has filed with the Company. In the case of the Company, such notices or communications shall be effectively delivered if sent by registered or certified mail to the Company at its principal executive offices.

14. **Agreement to Furnish Information.** Employee agrees to furnish to the Company all information requested by the Company to enable it to comply with any reporting or other requirement imposed upon the Company by or under any applicable statute or regulation.

15. **Entire Agreement; Amendment.** This Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to the PSUs granted hereby; provided, however, that the terms of this Agreement shall not modify and shall be subject to the terms and conditions of any employment between Employee and a Company Group Member or a severance plan in which Employee participates, in each case, in effect as of the date a determination is to be made under this Agreement. Without limiting the scope of the preceding sentence, except as provided therein, all prior understandings and agreements, if any, among the parties hereto relating to the subject matter hereof are hereby null and void and of no further force and effect. The Committee may, in its sole discretion, amend this Agreement from time to time in any manner that is not inconsistent with the Plan; provided, however, that except as otherwise provided in the Plan or this Agreement, any such amendment

that materially reduces the rights of Employee shall be effective only if it is in writing and signed by both Employee and an authorized officer of the Company.

16. **Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to conflicts of law principles thereof.

17. **Successors and Assigns.** The Company may assign any of its rights under this Agreement without Employee's consent. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein and in the Plan, this Agreement will be binding upon Employee and Employee's beneficiaries, executors, administrators and the person(s) to whom the PSUs may be transferred by will or the laws of descent or distribution.

18. **Clawback.** Notwithstanding any provision in this Agreement, the Grant Notice or the Plan to the contrary, to the extent required by (a) applicable law, including, without limitation, the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, any SEC rule or any applicable securities exchange listing standards and/or (b) any policy that may be adopted or amended by the Board from time to time, all shares of Stock issued hereunder shall be subject to forfeiture, repurchase, recoupment and/or cancellation to the extent necessary to comply with such law(s) and/or policy.

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

20. **Severability.** If a court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then the invalidity or unenforceability of such provision shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect.

21. **Nonqualified Deferred Compensation Rules.** None of the PSUs, Dividend Equivalents or any amounts payable pursuant to this Agreement are intended to constitute or provide for a deferral of compensation that is subject to the Nonqualified Deferred Compensation Rules. Nevertheless, to the extent that the Committee determines that the PSUs or Dividend Equivalents may not be exempt from the Nonqualified Deferred Compensation Rules, then, if Employee is deemed to be a "specified employee" within the meaning of the Nonqualified Deferred Compensation Rules, as determined by the Committee, at a time when Employee becomes eligible for settlement of the PSUs upon his "separation from service" within the meaning of the Nonqualified Deferred Compensation Rules, then to the extent necessary to prevent any accelerated or additional tax under the Nonqualified Deferred Compensation Rules, such settlement will be delayed until the earlier of: (a) the date that is six months following Employee's separation from service and (b) Employee's death. Notwithstanding the foregoing, the Company makes no representations that the payments provided under this Agreement are exempt from or compliant with the Nonqualified Deferred Compensation Rules and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other

expenses that may be incurred by Employee on account of non-compliance with the Nonqualified Deferred Compensation Rules.

22. **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 6 hereof: 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; 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; Employee will be responsible for all broker's fees and other costs of sale, and Employee agrees to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale; to the extent the proceeds of such sale exceed the applicable tax withholding obligation, the Company agrees to pay such excess in cash to Employee as soon as reasonably practicable; Employee 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 in the event the proceeds of such sale are insufficient to satisfy the applicable tax withholding obligation, Employee 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.

[Remainder of Page Intentionally Blank]

EXHIBIT B

PERFORMANCE SHARE UNIT PERFORMANCE GOAL

[_____].

Exhibit B-1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Phillip A. Gobe, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer 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: May 6, 2021

/s/ Phillip A. Gobe

Phillip A. Gobe
Chief Executive Officer and Chairman
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David S. Schorlemer, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer 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: May 6, 2021

/s/ David S. Schorlemer

David S. Schorlemer
Chief Financial Officer
(Principal Financial Officer)

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

In connection with the Quarterly Report on Form 10-Q of ProPetro Holding Corp. (the "Company"), for the period ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Phillip A. Gobe, Chief Executive Officer and Chairman 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, as amended; 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: May 6, 2021

/s/ Phillip A. Gobe
Phillip A. Gobe
Chief Executive Officer and Chairman
(Principal Executive Officer)

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

In connection with the Quarterly Report on Form 10-Q of ProPetro Holding Corp. (the "Company"), for the period ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David S. Schorlemer, 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, as amended; 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: May 6, 2021

/s/ David S. Schorlemer
David S. Schorlemer
Chief Financial Officer
(Principal Financial Officer)