

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

Form 10-Q

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

For the quarterly period ended September 30, 2019

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 001-32693

BASIC ENERGY SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

**801 Cherry Street, Suite 2100
Fort Worth, Texas**

(Address of principal executive offices)

54-2091194
(I.R.S. Employer Identification No.)

76102

(Zip code)

(817) 334-4100

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value \$0.01 per share	BAS	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 checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

There were 24,946,685 shares of the registrant's common stock outstanding as of October 31, 2019.

BASIC ENERGY SERVICES, INC.

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**CAUTIONARY STATEMENT
REGARDING FORWARD-LOOKING STATEMENTS**

This quarterly report contains certain statements that are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements are subject to risks and uncertainties. These statements may relate to, but are not limited to, information or assumptions about us, our capital and other expenditures, dividends, financing plans, capital structure, cash flows, pending legal or regulatory proceedings and claims, future economic performance, operating income, costs savings and management's plans, strategies, goals and objectives for future operations and goals. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including, among other things, the risk factors discussed in this quarterly report, and in our most recent Annual Report on Form 10-K and other factors, most of which are beyond our control.

The words "believe," "estimate," "expect," "anticipate," "project," "intend," "plan," "seek," "could," "should," "may," "potential" and similar expressions are intended to identify forward-looking statements. All statements other than statements of current or historical fact contained in this quarterly report are forward-looking statements. Although we believe that the forward-looking statements contained in this quarterly report are based upon reasonable assumptions, the forward-looking events and circumstances discussed in this quarterly report may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements.

Important factors that may affect our expectations, estimates or projections include:

- a decline in, or substantial volatility of, oil and natural gas prices, and any related changes in expenditures by our customers;
- competition within our industry;
- the effects of future acquisitions or dispositions on our business;
- uncertainties about our ability to successfully execute our business and financial plans and strategies;
- our access to current or future financing arrangements;
- changes in customer requirements in markets or industries we serve;
- availability and cost of equipment;
- general economic and market conditions;
- operating hazards and other risks incidental to our services;
- energy efficiency and technology trends;
- our ability to replace or add workers at economic rates;
- our borrowing capacity, covenant compliance under instruments governing any of our existing or future indebtedness and cash flows; and
- environmental and other governmental regulations.

Our forward-looking statements speak only as of the date of this quarterly report. Unless otherwise required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. All forward-looking statements included herein are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Basic Energy Services, Inc.
Consolidated Balance Sheets
(in thousands, except share and per share data)

	September 30, 2019	December 31, 2018
ASSETS	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 50,460	\$ 90,300
Trade receivable, net of allowances of \$2,549 and \$1,838, respectively	123,655	144,767
Income tax receivable	—	1,574
Inventories	28,039	36,449
Prepaid expenses	14,784	17,479
Other current assets	8,958	4,640
Total current assets	225,896	295,209
Property and equipment, net	406,878	448,801
Operating lease right-of-use assets	17,248	—
Deferred debt costs, net of amortization	2,346	2,747
Intangible assets, net of amortization	2,806	2,984
Other assets	12,455	12,036
Total assets	\$ 667,629	\$ 761,777
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 66,396	\$ 98,323
Accrued expenses	65,345	44,956
Current portion of long-term debt, net of \$120 and \$479 discount at September 30, 2019 and December 31, 2018, respectively	22,627	27,039
Operating lease right-of-use liabilities, current portion	5,459	—
Accrued short-term insurance reserves	8,221	10,870
Other current liabilities	4,031	3,123
Total current liabilities	172,079	184,311
Long-term debt, net of discounts and deferred financing costs of \$9,385 and \$10,690, at September 30, 2019 and December 31, 2018, respectively	313,511	322,701
Operating lease right-of-use liabilities, long-term portion	11,789	—
Asset retirement obligations	9,331	2,587
Accrued long-term insurance reserves	18,800	18,624
Other long-term liabilities	14,174	14,126
Stockholders' equity:		
Preferred stock; \$0.01 par value; 5,000,000 shares authorized; zero outstanding at September 30, 2019 and December 31, 2018	—	—
Common stock; \$0.01 par value; 80,000,000 shares authorized; 27,912,059 and 26,990,034 shares issued and 24,946,685 and 26,747,712 shares outstanding at September 30, 2019 and December 31, 2018, respectively	279	270
Additional paid-in capital	471,648	464,264
Retained deficit	(335,401)	(241,271)
Treasury stock, at cost, 2,965,374 and 242,322 shares at September 30, 2019 and December 31, 2018, respectively	(8,581)	(3,835)
Total stockholders' equity	127,945	219,428
Total liabilities and stockholders' equity	\$ 667,629	\$ 761,777

See accompanying notes to unaudited consolidated financial statements.

Basic Energy Services, Inc.
Consolidated Statements of Operations
(Unaudited)
(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues:				
Completion & Remedial Services	\$ 70,002	\$ 115,978	\$ 224,897	\$ 360,523
Well Servicing	57,094	64,314	175,777	184,533
Water Logistics	48,451	59,539	155,083	175,727
Other Services	2,818	6,503	9,657	13,585
Total revenues	178,365	246,334	565,414	734,368
Expenses:				
Completion & Remedial Services	53,825	89,777	176,918	279,963
Well Servicing	43,510	50,591	135,752	145,303
Water Logistics	34,783	42,785	107,611	127,716
Other Services	6,348	7,246	13,191	14,691
General and administrative, including stock-based compensation of \$1,386 and \$5,570 in the three months ended September 30, 2019 and 2018 and \$8,237 and \$21,995 for the nine months ended September 30, 2019 and 2018, respectively	32,125	39,599	102,450	132,038
Depreciation and amortization	29,179	32,754	85,668	94,150
Impaired asset expense	3,216	—	3,216	—
Loss on disposal of assets	837	191	2,634	3,891
Total expenses	203,823	262,943	627,440	797,752
Operating loss	(25,458)	(16,609)	(62,026)	(63,384)
Other income (expense):				
Interest expense	(11,729)	(10,896)	(33,003)	(34,985)
Interest income	112	88	472	175
Other income	215	81	565	492
Loss before income taxes	(36,860)	(27,336)	(93,992)	(97,702)
Income tax (expense) benefit	(2,017)	—	(138)	(219)
Net loss	\$ (38,877)	\$ (27,336)	\$ (94,130)	\$ (97,921)
Loss per share of common stock:				
Basic	\$ (1.52)	\$ (1.03)	\$ (3.55)	\$ (3.70)
Diluted	\$ (1.52)	\$ (1.03)	\$ (3.55)	\$ (3.70)

See accompanying notes to unaudited consolidated financial statements.

Basic Energy Services, Inc.
Consolidated Statements of Stockholders' Equity
(in thousands, except share data)

	Common Stock		Additional	Treasury		Retained Deficit	Total Stockholders' Equity
	Issued Shares	Common Stock	Paid-In Capital	Treasury Shares	Treasury Stock		
Balance - December 31, 2018	26,990,034	\$ 270	\$ 464,264	242,322	\$ (3,835)	\$ (241,271)	\$ 219,428
Issuances of restricted stock	277,865	3	(3)	—	—	—	—
Amortization of equity-classified share-based compensation	—	—	3,275	—	—	—	3,275
Treasury stock, net	—	—	(163)	68,227	(180)	—	(343)
Net loss	—	—	—	—	—	(27,476)	(27,476)
Balance - March 31, 2019 (unaudited)	27,267,899	\$ 273	\$ 467,373	310,549	\$ (4,015)	\$ (268,747)	\$ 194,884
Issuances of restricted stock	644,160	6	(6)	—	—	—	—
Amortization of equity-classified share-based compensation	—	—	3,329	—	—	—	3,329
Treasury stock, net	—	—	—	596,194	(1,340)	—	(1,340)
Net loss	—	—	—	—	—	(27,777)	(27,777)
Balance - June 30, 2019 (unaudited)	27,912,059	\$ 279	\$ 470,696	906,743	\$ (5,355)	\$ (296,524)	\$ 169,096
Issuances of restricted stock	—	—	—	—	—	—	—
Amortization of equity-classified share-based compensation	—	—	1,165	—	—	—	1,165
Treasury stock, net	—	—	(213)	2,058,631	(3,226)	—	(3,439)
Net loss	—	—	—	—	—	(38,877)	(38,877)
Balance - September 30, 2019 (unaudited)	27,912,059	\$ 279	\$ 471,648	2,965,374	\$ (8,581)	\$ (335,401)	\$ 127,945

	Common Stock		Additional	Treasury		Retained Deficit	Total Stockholders' Equity
	Issued Shares	Common Stock	Paid-In Capital	Treasury Shares	Treasury Stock		
Balance - December 31, 2017	26,371,572	\$ 264	\$ 439,517	152,443	\$ (4,454)	\$ (96,674)	\$ 338,653
Issuances of restricted stock	272,510	2	(2)	—	—	—	—
Amortization of equity-classified share-based compensation	—	—	6,798	—	—	—	6,798
Treasury stock, net	—	—	(291)	69,337	(1,051)	—	(1,342)
Net loss	—	—	—	—	—	(30,531)	(30,531)
Balance - March 31, 2018 (unaudited)	26,644,082	\$ 266	\$ 446,022	221,780	\$ (5,505)	\$ (127,205)	\$ 313,578
Issuances of restricted stock	48	—	2	—	—	—	2
Amortization of equity-classified share-based compensation	—	—	9,626	—	—	—	9,626
Treasury stock, net	—	—	(1,743)	(48,400)	1,742	—	(1)
Net loss	—	—	—	—	—	(40,054)	(40,054)
Balance - June 30, 2018 (unaudited)	26,644,130	\$ 266	\$ 453,907	173,380	\$ (3,763)	\$ (167,259)	\$ 283,151
Issuances of restricted stock	120,959	2	(2)	—	—	—	—
Amortization of equity-classified share-based compensation	—	—	5,571	—	—	—	5,571
Treasury stock, net	—	—	1	44,238	(377)	—	(376)
Net loss	—	—	—	—	—	(27,336)	(27,336)
Balance - September 30, 2018 (unaudited)	26,765,089	\$ 268	\$ 459,477	217,618	\$ (4,140)	\$ (194,595)	\$ 261,010

See accompanying notes to unaudited consolidated financial statements.

Basic Energy Services, Inc.
Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2019	2018
Cash flows from operating activities:		
Net loss	\$ (94,130)	\$ (97,921)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities		
Depreciation and amortization	85,668	94,150
Impaired asset expense and inventory write-downs	7,080	—
Accretion on asset retirement obligation	607	115
Change in allowance for doubtful accounts	711	278
Amortization of deferred financing costs	1,745	586
Amortization of debt discounts	789	3,708
Non-cash compensation	8,237	21,995
Loss on disposal of assets	2,634	3,891
Deferred income taxes	—	(78)
Changes in operating assets and liabilities:		
Accounts receivable	20,401	(7,977)
Inventories	4,546	313
Prepaid expenses and other current assets	2,404	7,010
Other assets	(8)	(49)
Accounts payable	(31,617)	5,736
Income tax receivable	1,574	291
Other liabilities	131	8,629
Accrued expenses	17,740	15,705
Net cash provided by operating activities	<u>28,512</u>	<u>56,382</u>
Cash flows from investing activities:		
Purchase of property and equipment	(46,263)	(48,588)
Proceeds from sale of assets	7,122	1,942
Payments for other long-term assets	(411)	—
Net cash used in investing activities	<u>(39,552)</u>	<u>(46,646)</u>
Cash flows from financing activities:		
Proceeds from debt	—	32,500
Payments of debt	(23,209)	(50,313)
Change in treasury stock including restricted stock issuances	(5,122)	(1,717)
Deferred loan costs and other financing activities	(469)	(585)
Net cash used in financing activities	<u>(28,800)</u>	<u>(20,115)</u>
Net decrease in cash and cash equivalents	(39,840)	(10,379)
Cash and cash equivalents - beginning of period	90,300	86,223
Cash and cash equivalents - end of period	<u>\$ 50,460</u>	<u>\$ 75,844</u>
Noncash investing and financing activity:		
Finance leases and notes issued for equipment	\$ 7,943	\$ 16,565
Change in accrued property and equipment	310	3,675
Change in asset retirement obligations	6,420	(148)

See accompanying notes to unaudited consolidated financial statements.

BASIC ENERGY SERVICES, INC.
Notes to Consolidated Financial Statements
September 30, 2019 (unaudited)

1. Basis of Presentation and Nature of Operations

Basis of Presentation

The accompanying unaudited consolidated financial statements of Basic Energy Services, Inc. and subsidiaries ("Basic" or the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial reporting. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. Certain information relating to Basic's organization and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted in this Quarterly Report on Form 10-Q in accordance with GAAP and financial statement requirements promulgated by the U.S. Securities and Exchange Commission ("SEC"). The notes to the consolidated financial statements (unaudited) should be read in conjunction with the notes to the consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2018. In the opinion of management, all adjustments which are of a normal recurring nature considered necessary for a fair presentation have been made in the accompanying unaudited financial statements.

On June 28, 2018, the SEC adopted amendments that expanded the definition of "smaller reporting company" by increasing the applicable public float and revenue thresholds. Under the amended definition, which became effective on September 10, 2018, a company qualifies as a smaller reporting company if it has (i) a public float of less than \$250 million at the end of its most recently completed second fiscal quarter or (ii) less than \$100 million in annual revenues and either no public float or a public float of less than \$700 million. Based on the Company's public float (the aggregate market value of its common equity held by non-affiliates) as of June 29, 2018, the Company is considered a smaller reporting company under the revised SEC rules and, as such, is eligible to use certain scaled financial and non-financial disclosure requirements. Smaller reporting companies may elect to comply with the scaled reporting requirements separately, thereby permitting the Company to choose such disclosure requirements on an item-by-item basis.

Liquidity and Capital Resources

On October 2, 2018, the Company issued in a private offering \$ 300.0 million aggregate principal amount of 10.75% senior secured notes due 2023 at 99.042% of par and entered into a new \$ 150.0 million senior secured revolving credit facility. For further discussion, see Note 4, "Long-Term Debt and Interest Expense".

Basic's current primary capital resources are cash flow from operations, the availability under the New ABL Facility (defined in Note 4, "Long-Term Debt and Interest Expense"), the ability to enter into finance leases, the ability to incur additional secured indebtedness, and a cash balance of \$50.5 million at September 30, 2019. The Company had \$50.4 million of available borrowing capacity under the New ABL Facility at September 30, 2019.

Nature of Operations

Basic provides a wide range of wellsite services to oil and natural gas drilling and producing companies, including Completion & Remedial Services, Water Logistics, Well Servicing and Contract Drilling. These services are primarily provided by Basic's fleet of equipment. Basic's operations are concentrated in major United States onshore oil and natural gas producing regions located in Texas, New Mexico, Oklahoma, Kansas, Arkansas, Louisiana, Wyoming, North Dakota, Colorado and California.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Basic's subsidiaries, for which Basic holds a majority voting interest. All intercompany transactions and balances have been eliminated.

Segment Information

In the first quarter of 2019, Basic revised its reportable segments for financial reporting purposes to combine its contract drilling operations with its rig manufacturing operations to form an Other Services segment. The Company's business now consists of the following four segments: Well Servicing, Water Logistics, Completion & Remedial Services, and Other Services. See Note 13, "Business Segment Information" for further information.

Estimates, Risks and Uncertainties

Preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Management uses historical and other pertinent information to determine these estimates. Actual results could differ from those estimates. Areas where critical accounting estimates are made by management include litigation, asset retirement obligations and self-insured risk reserves.

Inventories

For rental and fishing tools, inventories consisting mainly of grapples, controls and drill bits are stated at lower of cost or net realizable value. Other inventories, consisting mainly of manufacturing raw materials, rig components, repair parts, drilling and completion materials and gravel, are held for use in the operations of Basic and are stated at lower of cost or net realizable value, with cost being determined on the first-in, first-out method.

In addition to comparing the carrying amount of inventory to its market, Basic also makes a comparison between volume of inventory and demand for the ultimate production into which inventory will be converted. During the period ended September 30, 2019, Basic determined that due to decreased demand for rigs and equipment manufactured by Basic's wholly owned subsidiary, Taylor Industries, LLC, the subsidiary would change its focus to servicing and providing parts for previously manufactured equipment. Related to this change in strategy, certain manufacturing inventories were determined not to be fully recoverable. Taylor Industries recorded an increase in reserves for excess and obsolete inventory of \$3.9 million, and included in direct expense in our Other Services segment in our consolidated statement of operations.

2. Property and Equipment

The following table summarizes the components of property and equipment (in thousands):

	September 30, 2019	December 31, 2018
Land	\$ 20,351	\$ 21,431
Buildings and improvements	40,392	40,524
Well service units and equipment	130,300	122,694
Fracturing/test tanks	119,999	123,550
Pumping equipment	102,294	103,689
Fluid services equipment	79,426	78,524
Disposal facilities	83,655	63,229
Rental equipment	65,775	62,642
Light vehicles	30,563	27,080
Brine and fresh water stations	4,374	3,296
Software	925	857
Other	4,415	4,257
Contract drilling equipment	—	9,846
Property and equipment, gross	682,469	661,619
Less accumulated depreciation and amortization	275,591	212,818
Property and equipment, net	\$ 406,878	\$ 448,801

Basic is obligated under various finance leases for certain vehicles and equipment that expire at various dates during the next five years. The table below summarizes the gross amount of property and equipment and related accumulated amortization recorded under finance leases and included above (in thousands):

	September 30, 2019	December 31, 2018
Fluid services equipment	\$ 35,595	\$ 35,034
Pumping equipment	22,958	48,929
Light vehicles	22,245	18,376
Rental equipment	1,131	—
Contract drilling equipment	—	314
Well service units and equipment	—	199
Property and equipment under finance lease, cost	81,929	102,852
Less accumulated amortization	30,000	31,954
Property and equipment under finance lease, net	<u>\$ 51,929</u>	<u>\$ 70,898</u>

During the period ended September 30, 2019, based on the Company's evaluation of the demand for contract drilling services, the Company's management decided to divest all nine of Basic's contract drilling rigs and related ancillary equipment, having a carrying value of \$ 9.3 million. The Company determined that the carrying value of these assets may not be fully recoverable upon liquidation. The fair value of assets was determined after considering third-party estimates of expected liquidation value, and an impairment of \$3.2 million was recognized on the consolidated statement of operations during the quarter ended September 30, 2019. The remaining carrying value of \$6.1 million was transferred to assets held for sale, which is included in other current assets on the Company's consolidated balance sheets. The divestiture of the contract drilling rig assets does not represent part of Basic's asset base, revenue base, or a strategic shift for the Company. Basic's estimate of expected cash flows which may result from the sale of equipment may differ from actual cash received due to excess capacity in the industry.

3. Intangible Assets

Basic had trade names of \$ 3.4 million as of September 30, 2019, and December 31, 2018. Trade names have a 15-year life and are tested for impairment when triggering events are identified.

Basic's intangible assets subject to amortization were as follows (in thousands):

	September 30, 2019	December 31, 2018
Trade names	\$ 3,410	\$ 3,410
Other intangible assets	48	48
Intangible assets	3,458	3,458
Less accumulated amortization	652	474
Intangible assets subject to amortization, net	<u>\$ 2,806</u>	<u>\$ 2,984</u>

Amortization expense of intangible assets for the three and nine months ended September 30, 2019 and 2018 was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Intangible asset amortization expense	\$ 59	\$ 60	\$ 178	\$ 178

4. Long-Term Debt and Interest Expense

Long-term debt consisted of the following (in thousands):

	September 30, 2019	December 31, 2018
10.75% Senior Notes due 2023	\$ 300,000	\$ 300,000
Finance leases and other notes	45,643	60,909
Unamortized discounts and deferred financing costs	(9,505)	(11,169)
Total long-term debt	336,138	349,740
Less current portion	22,627	27,039
Total non-current portion of long-term debt	\$ 313,511	\$ 322,701

Debt Discounts

The following discounts on debt represent the unamortized discount to fair value of the Senior Notes and the short-term portions of the fair value discount of finance leases (in thousands):

	September 30, 2019	December 31, 2018
Unamortized discount on Senior Notes	\$ 2,301	\$ 2,731
Unamortized discount on finance leases - short-term	120	479
Unamortized deferred debt issuance costs	7,084	7,959
Total unamortized discounts and deferred financing costs	\$ 9,505	\$ 11,169

Interest Expense

Basic's interest expense for the three and nine months ended September 30, 2019, and 2018, consisted of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Cash payments for interest	\$ 1,580	\$ 8,266	\$ 22,310	\$ 24,408
Change in accrued interest	9,236	56	8,050	3,046
Amortization of discounts	265	967	789	3,709
Amortization of deferred debt costs	590	214	1,745	586
Commitment and other fees paid	12	1,338	36	3,141
Other	46	55	73	95
Total interest expense	\$ 11,729	\$ 10,896	\$ 33,003	\$ 34,985

Senior Secured Notes

On October 2, 2018, the Company issued \$ 300.0 million aggregate principal amount of 10.75% senior secured notes due 2023 (the "Senior Notes") in an offering exempt from registration under the Securities Act. The Senior Notes were issued at a price of 99.042% of par to yield 11%. The Senior Notes are secured by a first-priority lien on substantially all of the assets of the Company and the subsidiary guarantors other than accounts receivable, inventory and certain related assets. Net proceeds from the offering of approximately \$290.0 million were used to repay the Company's existing indebtedness under the Amended and Restated Term Loan Agreement, to repay the Company's outstanding borrowings under its previous credit facility (the "Prior ABL Facility"), and for general corporate purposes.

Indenture

The Company's Senior Notes were issued under and are governed by an indenture, dated as of October 2, 2018 (the "Indenture"), by and among the Company, the guarantors named therein (the "Guarantors"), and UMB Bank, N.A. as Trustee and Collateral Agent (the "Trustee"). The Senior Notes are jointly and severally, fully and unconditionally guaranteed (the "Guarantees") on a senior secured basis by the Guarantors and are secured by first priority liens on substantially all of the Company's and the Guarantors' assets, other than accounts receivable, inventory and certain related assets.

The Indenture contains covenants that limit the ability of the Company and certain subsidiaries to:

- incur additional indebtedness or issue preferred stock;
- pay dividends or make other distributions to its stockholders;
- repurchase or redeem capital stock or subordinated indebtedness and certain refinancings thereof;
- make certain investments;
- incur liens;
- enter into certain types of transactions with affiliates;
- limit dividends or other payments by restricted subsidiaries to the Company; and
- sell assets or consolidate or merge with or into other companies.

These limitations are subject to a number of important qualifications and exceptions. Upon an Event of Default (as defined in the Indenture), the Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Senior Notes may declare the entire principal of, premium, if any, and accrued and unpaid interest, if any, on all the Senior Notes to be due and payable immediately.

At any time on or prior to October 15, 2020, the Company may redeem up to 35% of the aggregate principal amount of the Senior Notes at a redemption price equal to 110.8% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, with an amount of cash not greater than the net proceeds from certain equity offerings. At any time prior to October 15, 2020, the Company may redeem the Senior Notes, in whole or in part, at a redemption price equal to 100.0% of the principal amount of the Senior Notes plus a "make-whole" premium plus accrued and unpaid interest, if any, to the redemption date. The Company may also redeem all or a part of the Senior Notes at any time on or after October 15, 2020, at the redemption prices set forth in the Indenture, plus accrued and unpaid interest, if any, to the redemption date.

The Company may redeem all, but not less than all, of the Senior Notes in connection with a company sale transaction, at a redemption price of 105.4% of principal for a company sale that occurs on or after April 15, 2019, and on or before October 15, 2019, or 108.1% of principal amount for a company sale that occurs after October 15, 2019, and before October 15, 2020, in each case plus accrued and unpaid interest, if any, to the redemption date. If the Company experiences a change of control, the Company may be required to offer to purchase the Senior Notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest, if any, to the purchase date.

The Senior Notes and the Guarantees rank equally in right of payment with all of the Company's and the Guarantors' existing and future unsubordinated indebtedness, effectively senior to all of the Company's and the Guarantors' existing and future indebtedness to the extent of the value of the collateral securing the Senior Notes but junior to other indebtedness that is secured by liens on assets other than collateral for the Senior Notes to the extent of the value of such assets, and senior to all of the Company's and the Guarantors' future subordinated indebtedness.

Pursuant to a collateral rights agreement, the Senior Notes and Guarantees are secured by first priority liens, subject to limited exceptions, on the collateral securing the Senior Notes, consisting of substantially all of the property and assets now owned or hereafter acquired by the Company and the Guarantors, except for certain excluded property described in the Indenture.

New ABL Facility

On October 2, 2018, the Company terminated the Prior ABL Facility and Amended and Restated Term Loan Agreement and entered into an ABL Credit Agreement (the "New ABL Credit Agreement") among the Company, as borrower (in such capacity, the "Borrower"), Bank of America, N.A., as administrative agent (the "Administrative Agent"), swing line lender and letter of credit issuer, UBS Securities LLC, as syndication agent, PNC Bank National Association, as documentation agent and letter of credit issuer, and the other lenders from time to time party thereto (collectively, the "New ABL Lenders"). Pursuant to the New ABL Credit Agreement, the New ABL Lenders have extended to the Borrower a revolving credit facility in the maximum aggregate principal amount of \$150.0 million, subject to borrowing base capacity (the "New ABL Facility"). The New ABL Facility includes a sublimit for letters of credit of up to \$50.0 million in the aggregate, and for borrowings on same-day notice under swingline loans subject to a sublimit of the lesser of (a) \$15.0 million and (b) the aggregate commitments of the New ABL Lenders. The New ABL Facility also provides capacity for base rate protective advances up to \$10.0 million at the discretion of the Administrative Agent and provisions relating to overadvances. The New ABL Facility contains no restricted cash requirements.

Borrowings under the New ABL Facility bear interest at a rate per annum equal to an applicable rate, plus, at Borrower's option, either (a) a base rate or (b) a LIBO rate. The applicable rate was fixed from the closing date to April 1, 2019. Following April 1, 2019, the applicable rate is determined by reference to the average daily availability

as a percentage of the borrowing base during the fiscal quarter immediately preceding such applicable quarter. The applicable rate has remained unchanged since inception of the New ABL Facility.

Principal amounts outstanding under the New ABL Facility will be due and payable in full on the maturity date, which is five years from the closing of the facility; provided that if the Senior Notes have not been redeemed by July 3, 2023, then the maturity date shall be July 3, 2023.

Substantially all of the domestic subsidiaries of the Company guarantee the borrowings under the New ABL Facility, and Borrower guarantees the payment and performance by each specified loan party of its obligations under its guaranty with respect to swap obligations. All obligations under the New ABL Facility and the related guarantees are secured by a perfected first-priority security interest in substantially all accounts receivable, inventory, and certain other assets, not including equity interests. As of September 30, 2019, Basic had no borrowings and \$37.7 million of letters of credit outstanding under the New ABL Facility.

5. Leases

Basic adopted ASU No. 2016-02, Topic 842 - Leases, effective January 1, 2019. This ASU requires lessees to recognize an operating lease right-of-use ("ROU") asset and liability on the balance sheet for all operating leases with an initial lease term greater than twelve months.

ASU 2018-11 Leases – Targeted Improvements, allows for a practical expedient wherein all periods previously reported under ASC 840 will continue to be reported under ASC 840, and periods beginning January 1, 2019 and after are reported under ASC 842. Basic elected to adopt this practical expedient along with the package of practical expedients, which allows Basic to combine lease and non-lease costs, and not to assess whether existing or expired land easements that were not previously accounted for as leases under Topic 840 are or contain a lease under this Topic.

Under this transition option, Basic will continue to apply the legacy guidance in ASC 840, including its disclosure requirements, in the comparative periods presented and will make only annual disclosures for the comparative periods because ASC 840 does not require interim disclosures. Prior period amounts have not been adjusted and continue to be reflected in accordance with Basic's historical accounting. The adoption of this standard resulted in the recording of ROU assets and lease liabilities of approximately \$20.8 million as of January 1, 2019, with no related impact on Basic's Consolidated Statement of Shareholders' Equity or Consolidated Statement of Operations.

As a lessee, Basic leases its corporate office headquarters in Fort Worth, Texas, and conducts its business operations through various regional offices located throughout the United States. These operating locations typically include regional offices, storage and maintenance yards, disposal facilities and employee housing sufficient to support its operations in the area. Basic leases most of these properties under either non-cancelable term leases many of which contain renewal options that can extend the lease term from one to five years and some of which contain escalation clauses, or month-to-month operating leases. Options to renew these leases are generally not considered reasonably certain to be exercised. Therefore, the periods covered by such optional periods are not included in the determination of the term of the lease. Basic also leases supplemental equipment, typically under cancellable short-term or contracts which are less than 30 days. Due to the nature of the Company's business, any option to renew these short-term leases is generally not considered reasonably certain to be exercised. Therefore, the periods covered by such optional periods are not included in the determination of the term of the lease, and the lease payments during these periods are similarly excluded from the calculation of operating lease asset and lease liability balances.

Operating lease expense consists of rent expense related to leases that were included in ROU assets under Topic 842. Basic recognizes operating lease expense on a straight-line basis, except for certain variable expenses that are recognized when the variability is resolved, typically during the period in which they are paid. Variable operating lease payments typically include charges for property taxes and insurance, and some leases contain variable payments related to non-lease components, including common area maintenance and usage of facilities or office equipment (for example, copiers), which totaled approximately \$0.3 million and \$0.8 million during the three and nine months ended September 30, 2019, respectively. Prepaid rent totaled \$ 0.1 million at September 30, 2019.

The following table summarizes the components of the Company's lease expense recognized for the three and nine months ending September 30, 2019, excluding variable lease and prepaid rent costs (in thousands):

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Operating lease expense:		
Short-term operating lease expense	\$ 1,118	\$ 4,630
Long-term operating lease expense	2,178	6,533
Total operating lease expense	\$ 3,296	\$ 11,163
Finance lease expense:		
Amortization of right-of-use assets	\$ 4,052	\$ 13,388
Interest on lease liabilities	1,239	3,957
Total finance lease expense	\$ 5,291	\$ 17,345

Supplemental information related to leases was as follows:

	September 30, 2019
Operating leases	
Weighted average remaining lease term	3.0 years
Weighted average discount rate	15.2%
Finance leases	
Weighted average remaining lease term	2.2 years
Weighted average discount rate	8.1%

Supplemental cash flow information related to leases was as follows for the nine months ended September 30, 2019 (in thousands):

	Nine Months Ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash outflows from operating leases	\$ 11,163
Operating cash outflows from finance leases	3,957
Financing cash outflows from finance leases	23,209
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	1,597
Finance leases	\$ 7,943

Supplemental balance sheet information related to leases was as follows as of September 30, 2019, and December 31, 2018 (in thousands):

	September 30, 2019	December 31, 2018
Right-of-Use Assets under Operating Leases		
Operating lease right-of-use assets	\$ 17,248	\$ 20,819
Operating lease right-of-use liabilities, current portion	5,459	5,649
Operating lease right-of-use liabilities, long-term portion	11,789	15,170
Total operating lease liabilities	\$ 17,248	\$ 20,819
Right-of-Use Assets under Finance Leases		
Property and equipment, at cost	\$ 81,929	\$ 102,852
Less accumulated depreciation	30,000	31,954
Property and equipment, net	\$ 51,929	\$ 70,898
Current portion of long-term debt	\$ 22,747	\$ 27,519
Long-term debt	22,896	33,390
Total finance lease liabilities	\$ 45,643	\$ 60,909

The Company adopted ASU 2016-02 on January 1, 2019 and as required, the following disclosure is provided for periods prior to adoption. Future annual minimum lease payments and capital lease commitments as of December 31, 2018 and September 30, 2019 were as follows (in thousands):

	December 31, 2018	
	Operating Leases	Finance Leases
2019	\$ 8,179	\$ 27,519
2020	6,323	19,322
2021	5,438	10,697
2022	4,696	3,233
2023	1,248	83
Thereafter	1,215	55
Total lease payments	\$ 27,099	\$ 60,909

	September 30, 2019	
	Operating Leases	Finance Leases
2019	\$ 2,060	\$ 6,241
2020	7,075	20,840
2021	5,712	12,567
2022	4,807	5,250
2023	1,257	810
Thereafter	1,091	55
Total lease payments	\$ 22,002	\$ 45,763
Impact of discounting	(4,754)	(120)
Discounted value of operating lease obligations	\$ 17,248	\$ 45,643

6. Fair Value Measurements

The following is a summary of the carrying amounts, net of discounts, and estimated fair values of the Company's Senior Notes as of September 30, 2019 and December 31, 2018:

	Hierarchy Level	September 30, 2019		December 31, 2018	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
(In thousands)					
10.75% Senior Notes due 2023	1	\$ 297,699	\$ 244,997	\$ 297,269	\$ 257,806

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and other accrued liabilities approximate fair value due to the short maturities of these instruments.

Basic did not have any assets or liabilities that were measured at fair value on a recurring basis as of September 30, 2019 and December 31, 2018.

7. Asset Retirement Obligation

The Company has the obligation to plug and remediate its saltwater disposal wellsites when the assets are to be retired. This asset retirement obligation ("ARO") includes plugging inactive assets, removal of surface equipment, and returning the land to its original state. The Company records a liability for the fair value of asset retirement obligations ("AROs") that we can reasonably estimate, on a discounted basis, in the period in which the asset is acquired. The fair value of the liability is calculated using discounted cash flow techniques and based on internal estimates and assumptions related to (i) future retirement costs, (ii) expected remaining lives of the assets (iii) future inflation rates, and (iv) credit adjusted risk-free interest rates. Significant increases or decreases in these assumptions could result in a significant change to the fair value measurement. During the quarter ended September 30, 2019, Basic revised our estimated ARO liability upward by \$6.4 million based on updated data gathered from increasing plugging and abandoning activity incurred during 2019.

The following table presents activity in our AROs (in thousands):

	Nine Months Ended September 30, 2019
Balance as of January 1, 2019	\$ 2,587
Additions	280
Revision in estimate	6,140
Disposals	(124)
Expenditures	(159)
Accretion expense	607
Balance as of September 30, 2019	\$ 9,331

8. Commitments and Contingencies

Environmental

Basic 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. Basic 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 recognizes that by the very nature of its 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.

Litigation

From time to time, Basic is a party to litigation or other legal proceedings that Basic considers to be a part of the ordinary course of business. The Company is not currently involved in any legal proceedings that it considers probable or reasonably possible, individually or in the aggregate, to result in a material adverse effect on its financial condition, results of operations or liquidity.

State Tax

In 2014, Basic was notified by the Texas State Comptroller's office that a sales and use tax audit for the period from 2010 through 2013 would be conducted. A preliminary report was issued in the second quarter of 2018 for this audit, and the Company will appeal the preliminary report through the redetermination process. Based upon the Company's analysis, the potential liability associated with this audit ranges from \$6.0 million to \$24.0 million. This range could potentially change in future periods as the appeal and redetermination process progresses. Net of good faith payments made by the Company, the Company currently has recorded a \$4.5 million liability. Interest expense associated with the taxes for the nine months ended September 30, 2019, of \$ 0.2 million is included in approximately \$1.9 million of accrued interest on the liability.

On August 15, 2019, the Company was notified by the Oklahoma Tax Commission (the "OTC") that the tax court had issued findings, conclusions, and recommendations in an on-going tax case related to tax years 2006 through 2008. Based on the ruling and the advice of our Oklahoma tax counsel, the Company decided to negotiate a settlement with the OTC. The Company's analysis is that the potential liability associated with the settlement may range from \$2.3 million to \$3.5 million. The Company recorded \$2.3 million of income tax and interest payable, which are included as accrued expenses on our consolidated balance sheets, and the related expense during the quarter ended September 30, 2019.

Self-Insured Risk Accruals

Basic is self-insured up to retention limits as it relates to workers' compensation, general liability claims, and medical and dental coverage of its employees. Basic generally maintains no physical property damage coverage on its rig fleet, with the exception of certain of its 24-hour workover rigs, newly manufactured rigs and pumping services equipment. Basic has deductibles per occurrence for workers' compensation, general liability claims, and medical and dental coverage of \$2.0 million, \$1.0 million, and \$0.4 million, respectively. Basic has a \$ 1.0 million deductible per occurrence for automobile liability. Basic maintains accruals in the accompanying consolidated balance sheets related to self-insurance retentions based upon third-party data and claims history.

9. Stockholders' Equity

Common Stock

In the second quarter of 2019, Basic granted certain members of management time-based restricted stock awards representing an aggregate 533,160 shares of common stock of the Company, which vest over a three-year period and are subject to accelerated vesting under certain circumstances. On May 21, 2018, Basic's Board of Directors (the "Board") made grants of time-based restricted stock awards representing an aggregate 48,400 shares of common stock of the Company to non-employee members of the Board. These grants were subject to vesting over a period of ten months and were subject to accelerated vesting under certain circumstances.

10. Incentive Plan

On May 14, 2019, the stockholders of the Company approved the Basic Energy Services, Inc. 2019 Long Term Incentive Plan (the "LTIP") to succeed the Basic Energy Services, Inc. Management Incentive Plan (the "MIP"). The LTIP became effective on May 14, 2019, and replaced the MIP. A total of 681,657 shares of the Company's common stock are reserved for issuance pursuant to the LTIP. No further awards will be granted under the MIP.

During the nine month period ended September 30, 2019, and 2018, compensation expenses related to share-based arrangements under the MIP and the LTIP, including restricted stock, restricted stock units and stock option awards, were approximately \$7.8 million and \$22.0 million, respectively.

During the three months ended September 30, 2019, and 2018, compensation expenses related to share-based arrangements under the MIP and LTIP, including restricted stock, restricted stock units and stock option awards, were approximately \$1.2 million and \$5.6 million, respectively. The decrease in compensation expense is primarily related to forfeiture credits in Q3 2019 related to an executive resignation.

Basic did not recognize a tax benefit for compensation expense recognized during the three and nine month periods ended September 30, 2019 and 2018.

At September 30, 2019, there was \$5.8 million unrecognized compensation expense related to non-vested share-based compensation arrangements granted under the MIP. That cost is expected to be recognized over a weighted average period of 2.1 years.

Stock Option Awards

The fair value of each stock option is estimated on the date of grant using the Black-Scholes-Merton option-pricing model. Stock options granted under the MIP and the LTIP expire ten years from the date they are granted, and vest over a three-year service period. Total expenses related to stock options in three and nine month periods ended September 30, 2019, were approximately \$0.8 million and \$2.4 million, respectively. Stock option expenses for the three and nine months ended September 30, 2018, were \$0.8 million, \$3.5 million, respectively. Future expense for all options is expected to be approximately \$ 0.5 million in total through February 2020.

The following table reflects changes during the nine-month period and a summary of stock options outstanding at September 30, 2019:

Non-statutory stock options:	Number of Options Granted	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (000's)
Outstanding, beginning of period	595,736	\$ 39.23		
Options granted	—	—		
Options forfeited	(6,474)	\$ 40.12		
Options exercised	—	—		
Options expired	(77,704)	\$ 39.30		
Outstanding, end of period	511,558	\$ 39.23	7.3	\$—
Exercisable, end of period	341,052	\$ 39.23	7.3	\$—
Vested or expected to vest, end of period	170,506	\$ 39.23	7.3	\$—

There were no stock options exercised during the nine months ended September 30, 2019, and 2018.

Restricted Stock Unit Awards

Time-based

A summary of the status of Basic's non-vested restricted stock units at September 30, 2019, and changes during the nine months ended September 30, 2019, are presented in the following table:

Non-vested Units	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value Per Unit
Non-vested at beginning of period	191,302	\$ 16.59
Granted during period	653,160	2.53
Vested during period	(73,976)	16.17
Forfeited during period	(148,560)	5.78
Non-vested at end of period	621,926	\$ 1.28

Valuation of time vesting restricted stock units for all periods presented is equal to the quoted market price for the shares on the date of the grant. The total fair value of time-vesting restricted stock units vested in nine months ended September 30, 2019 and 2018, was \$299,000 and \$474,000, respectively, and is measured as the quoted market price of the Company's common stock on the vesting date for the number of shares vested.

Performance-based

A summary of the status of Basic's non-vested performance-based grants at September 30, 2019, and changes during the nine months ended September 30, 2019, are presented in the following table:

Non-vested Units	Number of Performance Stock Units	Weighted Average Grant Date Fair Value Per Unit
Non-vested at beginning of period	682,985	\$ 27.27
Granted during period	—	—
Vested during period	(218,541)	36.33
Forfeited during period	(138,019)	28.66
Non-vested at end of period	326,425	\$ 25.63

The total fair value of performance-based restricted stock units vested during the nine months ended September 30, 2019, and 2018 was \$ 1.0 million and \$5.4 million, respectively, and was measured as the quoted market price of the Company's common stock on the vesting date for the number of shares vested.

Restricted Stock Awards

On May 15, 2019, the Board made grants of time-based restricted stock awards representing an aggregate 120,000 shares of common stock of the Company to non-employee members of the Board. These grants are subject to vesting fully on the first anniversary of the grant date and are subject to accelerated vesting under certain circumstances.

In the second quarter of 2019, the Board also made grants of time-based restricted stock awards representing an aggregate 533,160 shares of common stock of the Company to certain members of management. These grants are subject to vesting over a three-year period and are subject to accelerated vesting under certain circumstances.

The total fair value of restricted stock awards vested during the nine months ended September 30, 2019, and 2018 was \$ 33,000 and \$77,000, respectively, and was measured as the quoted market price of the Company's common stock on the vesting date for the number of shares vested.

Phantom Stock Awards

On March 21, 2019, the Compensation Committee of the Board approved grants of phantom restricted stock awards to certain key employees. Phantom shares are recorded as a liability at their current market value and are included in other current liabilities. The aggregate number of phantom shares issued on March 22, 2019, was 370,350. These grants remain subject to vesting annually in one-third increments over a three-year period, with the first portion vesting on March 22, 2020, and are subject to accelerated vesting in certain circumstances. Total expense related to phantom stock granted to key employees in nine-month periods ended September 30, 2019 and 2018, was approximately \$114,000 and \$596,000, respectively.

On May 15, 2019, the Compensation Committee of the Board made grants of phantom restricted stock to certain members of management. The aggregate number of phantom shares issued on May 15, 2019 to certain members of management was 524,160. These grants remain subject to vesting annually in one-third increments over a three-year period, with the first portion vesting on May 15, 2020, and are subject to accelerated vesting in certain circumstances. Total expense related to this grant in nine-month period ended September 30, 2019, was approximately \$123,000.

On May 15, 2019, the Compensation Committee of the Board made grants of phantom restricted stock to non-employee members of the Board. The number of phantom shares issued on May 15, 2019 to non-employee members of the Board was 54,000. These grants remain subject to vesting fully on the first anniversary of the grant date, and are subject to accelerated vesting in certain circumstances. Total expense related to this grant in nine-month period ended September 30, 2019 was approximately \$35,000.

In the second quarter of 2019, the Compensation Committee of the Board approved grants of phantom performance-based restricted stock to certain members of management. The performance-based phantom stock awards are tied to Basic's achievement of total stockholder return ("TSR") relative to the TSR of a peer group of energy services companies over the performance period. The number of phantom shares to be issued will range from 0% to 150% of the 1,069,320 target number of phantom shares. Any phantom shares earned at the end of the performance period will then remain subject to vesting in one-half increments on May 15, 2021, and 2022 (subject to accelerated vesting in certain circumstances). Phantom shares are recorded as a liability at fair value calculated using a Monte Carlo valuation and are included in other current liabilities. Total expense related to performance-

based phantom stock in the nine-month period ended September 30, 2019 was approximately \$ 160,000.

11. Revenues

The Company's revenues are generated by services, which are consumed as provided by its customers on their sites. As a decentralized organization, contracts for the Company's services are negotiated on a regional level and are on a per job basis, with jobs being completed in a short period of time, usually one day or up to a week. Revenue is recognized as performance obligations have been completed on a daily basis either as accounts receivable or Work-in-Process ("WIP"), when all of the proper approvals are obtained.

A small percentage of the Company's jobs may require performance obligations which extend over a longer period of time and are not invoiced until all performances obligations in the contract are complete, such as drilling or plugging a well, fishing services, and pad site preparation jobs. Because these jobs are performed on the customer's job site, and Basic is contractually entitled to bill for its services performed to date, revenues for these service lines are recognized on a daily basis as services are performed and recorded as Contract Assets rather than a WIP or accounts receivable. Contract Assets are typically invoiced within 30 to 60 days of recognizing revenue.

As of September 30, 2019, accounts receivable related to products and services were \$ 123.7 million compared to \$144.8 million at December 31, 2018. At September 30, 2019, the Company had \$1.8 million of contract assets and \$ 778,000 of contract liabilities on its consolidated balance sheet compared to \$ 1.1 million of contract assets and \$855,000 of contract liabilities on its consolidated balance sheet at December 31, 2018. Contract assets are included in Trade Receivables, and contract liabilities are included in Other Current Liabilities on our consolidated balances sheets.

Basic does not have any long-term service contracts, nor does it have revenue expected to be recognized in any future year related to remaining performance obligations or contracts with variable consideration related to undelivered performance obligations.

The following table sets forth certain financial information with respect to Basic's disaggregation of revenues by geographic location and type (in thousands):

	Reportable Segments				
	Completion & Remedial Services	Well Servicing	Water Logistics	Other Services	Total
Nine Months Ended September 30, 2019					
Primary Geographical Markets					
Permian Basin	\$ 62,932	\$ 91,165	\$ 82,982	\$ 8,160	\$ 245,239
Texas Gulf Coast	6,733	22,394	28,627	—	57,754
ArkLaTex & Mid-Continent	101,443	28,868	34,010	10,917	175,238
Rocky Mountain	58,535	18,620	17,465	—	94,620
West Coast	—	16,838	—	—	16,838
Corporate (Intercompany)	(4,746)	(2,108)	(8,001)	(9,420)	(24,275)
Total	\$ 224,897	\$ 175,777	\$ 155,083	\$ 9,657	\$ 565,414
Major Products or Service Line					
Fracturing	\$ 66,342	\$ —	\$ —	\$ —	\$ 66,342
Rental Tool Revenue	60,027	—	—	—	60,027
Coiled Tubing	43,875	—	—	—	43,875
Snubbing	3,137	—	—	—	3,137
Well Servicing	—	148,065	—	—	148,065
Plugging	—	20,307	—	—	20,307
Transport/Vacuum	—	—	93,740	—	93,740
Hot Oiler	—	—	16,437	—	16,437
Production and Disposal Facilities	—	—	15,637	—	15,637
Other	51,516	7,405	29,269	9,657	97,847
Total	\$ 224,897	\$ 175,777	\$ 155,083	\$ 9,657	\$ 565,414
Timing of Revenue Recognition					
Products transferred at a point in time	\$ —	\$ —	\$ —	\$ 1,302	\$ 1,302
Products and services transferred over time	224,897	175,777	155,083	8,355	564,112
Total	\$ 224,897	\$ 175,777	\$ 155,083	\$ 9,657	\$ 565,414
Nine Months Ended September 30, 2018					
Primary Geographical Markets					
Permian Basin	\$ 102,059	\$ 88,427	\$ 94,302	\$ 9,220	\$ 294,008
Texas Gulf Coast	11,663	21,290	26,644	—	59,597
ArkLaTex & Mid-Continent	172,864	28,150	33,234	11,709	245,957
Rocky Mountain	76,869	20,681	25,798	—	123,348
Eastern USA	3,609	5,560	—	—	9,169
West Coast	—	22,520	—	—	22,520
Corporate (Intercompany)	(6,541)	(2,096)	(4,251)	(7,343)	(20,231)
Total	\$ 360,523	\$ 184,532	\$ 175,727	\$ 13,586	\$ 734,368
Major Products or Service Line					
Fracturing	\$ 165,597	\$ —	\$ —	\$ —	\$ 165,597
Rental Tool Revenue	66,153	—	—	—	66,153
Coiled Tubing	52,487	—	—	—	52,487
Snubbing	9,654	—	—	—	9,654
Well Servicing	—	157,766	—	—	157,766
Plugging	—	19,219	—	—	19,219
Transport/Vacuum	—	—	107,932	—	107,932
Hot Oiler	—	—	15,084	—	15,084
Production and Disposal Facilities	—	—	17,853	—	17,853
Other	66,632	7,547	34,858	13,586	122,623
Total	\$ 360,523	\$ 184,532	\$ 175,727	\$ 13,586	\$ 734,368
Timing of revenue recognition					
Products transferred at a point in time	\$ —	\$ —	\$ —	\$ 3,331	\$ 3,331
Products and services transferred over time	360,523	184,532	175,727	10,255	731,037
Total	\$ 360,523	\$ 184,532	\$ 175,727	\$ 13,586	\$ 734,368

	Completion & Remedial Services					Total
	Completion & Remedial Services	Well Servicing	Water Logistics	Other Services		
Three Months Ended September 30, 2019						
Primary Geographical Markets						
Permian Basin	\$ 21,162	\$ 29,231	\$ 25,048	\$ 2,670	\$	\$ 78,111
Texas Gulf Coast	1,390	7,356	10,043	—		18,789
ArkLaTex & Mid-Continent	28,179	9,716	10,665	717		49,277
Rocky Mountain	20,062	6,404	5,395	—		31,861
West Coast	—	4,981	—	—		4,981
Corporate (Intercompany)	(791)	(594)	(2,700)	(569)		(4,654)
Total	\$ 70,002	\$ 57,094	\$ 48,451	\$ 2,818	\$	\$ 178,365
Major Products or Service Line						
Fracturing Equipment	\$ 17,326	\$ —	\$ —	\$ —	\$	\$ 17,326
Rental Tool Revenue	19,572	—	—	—		19,572
Coiled Tubing	15,248	—	—	—		15,248
Snubbing	1,034	—	—	—		1,034
Well Servicing	—	47,481	—	—		47,481
Plugging	—	7,227	—	—		7,227
Transport/Vacuum	—	—	30,277	—		30,277
Hot Oiler	—	—	4,950	—		4,950
Production and Disposal Facilities	—	—	4,574	—		4,574
Other	16,822	2,386	8,650	2,818		30,676
Total	\$ 70,002	\$ 57,094	\$ 48,451	\$ 2,818	\$	\$ 178,365
Timing of Revenue Recognition						
Products transferred at a point in time	\$ —	\$ —	\$ —	\$ —	\$	\$ —
Products and services transferred over time	70,002	57,094	48,451	2,818		178,365
Total	\$ 70,002	\$ 57,094	\$ 48,451	\$ 2,818	\$	\$ 178,365
Three Months Ended September 30, 2018						
Primary Geographical Markets						
Permian Basin	\$ 29,344	\$ 31,046	\$ 31,647	\$ 3,598	\$	\$ 95,635
Texas Gulf Coast	3,509	6,635	9,156	—		19,300
ArkLaTex & Mid-Continent	58,692	10,271	10,913	6,080		85,956
Rocky Mountain	26,513	7,546	9,190	—		43,249
Eastern USA	652	1,090	—	—		1,742
West Coast	—	8,341	—	—		8,341
Corporate (Intercompany)	(2,732)	(615)	(1,367)	(3,175)		(7,889)
Total	\$ 115,978	\$ 64,314	\$ 59,539	\$ 6,503	\$	\$ 246,334
Major Products or Service Line						
Fracturing Equipment	\$ 49,076	\$ —	\$ —	\$ —	\$	\$ 49,076
Rental Tool Revenue	23,511	—	—	—		23,511
Coiled Tubing	17,328	—	—	—		17,328
Snubbing	2,213	—	—	—		2,213
Well Servicing	—	55,098	—	—		55,098
Plugging	—	6,685	—	—		6,685
Transport/Vacuum	—	—	35,889	—		35,889
Hot Oiler	—	—	4,696	—		4,696
Production and Disposal Facilities	—	—	6,158	—		6,158
Other	23,850	2,531	12,796	6,503		45,680
Total	\$ 115,978	\$ 64,314	\$ 59,539	\$ 6,503	\$	\$ 246,334
Timing of revenue recognition						
Products transferred at a point in time	\$ —	\$ —	\$ —	\$ 2,601	\$	\$ 2,601
Products and services transferred over time	115,978	64,314	59,539	3,902		243,733
Total	\$ 115,978	\$ 64,314	\$ 59,539	\$ 6,503	\$	\$ 246,334

12. Loss Per Share

The following table sets forth the computation of unaudited basic and diluted loss per share for the three and nine months ended September 30, 2019 and 2018 (in thousands, except share and per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Unaudited)		(Unaudited)	
Numerator (both basic and diluted):				
Net loss	\$ (38,877)	\$ (27,336)	\$ (94,130)	\$ (97,921)
Denominator:				
Denominator for basic and diluted loss per share	25,606,264	26,509,944	26,551,592	26,430,681
Basic loss per common share:	\$ (1.52)	\$ (1.03)	\$ (3.55)	\$ (3.70)
Diluted loss per common share:	\$ (1.52)	\$ (1.03)	\$ (3.55)	\$ (3.70)

The Company has issued potentially dilutive instruments such as unvested restricted stock and common stock options. However, the Company did not include these instruments in its calculation of diluted loss per share during the periods presented, because to include them would be anti-dilutive.

The following table sets forth weighted average shares outstanding of potentially dilutive instruments for the three and nine months ended September 30, 2019 and 2018:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Unaudited)		(Unaudited)	
Stock options	511,558	608,688	511,558	608,688
Warrants	2,066,576	2,066,576	2,066,576	2,066,576
Weighted average unvested restricted stock	631,742	86,761	326,054	37,656
Total	3,209,876	2,762,025	2,904,188	2,712,920

13. Business Segment Information

In the first quarter of 2019, the Company revised its reportable segments to combine its rig manufacturing business with its Contract Drilling segment, creating an Other Services segment. With this change, the Company's segments consist of: Well Servicing, Water Logistics, Completion & Remedial Services, and Other Services. These reporting segments, which are also the Company's operating segments, align with how the Chief Operating Decision Maker allocates resources and assesses performance against the Company's key growth strategies. Costs related to other business activities, primarily corporate headquarter functions, are disclosed separately from the four operating segments as "Corporate." The Company evaluates segment performance on earnings before interest expense and income taxes. Products are transferred between segments and geographic areas on a basis intended to reflect as nearly as possible the "market value" of the products. Prior period segment information has been retrospectively revised to reflect Basic's current segmentation.

The following table sets forth certain financial information with respect to Basic's reportable segments for the three and nine months ended September 30, 2019 and 2018 (in thousands):

	Completion & Remedial Services	Well Servicing	Water Logistics	Other Services	Corporate	Total
Three Months Ended September 30, 2019 (Unaudited)						
Operating revenues	\$ 70,002	\$ 57,094	\$ 48,451	\$ 2,818	\$ —	\$ 178,365
Direct operating costs	(53,825)	(43,510)	(34,783)	(6,348)	—	(138,466)
Segment profits	\$ 16,177	\$ 13,584	\$ 13,668	\$ (3,530)	\$ —	\$ 39,899
Depreciation and amortization	\$ 13,930	\$ 5,608	\$ 7,774	\$ 64	\$ 1,803	\$ 29,179
Capital expenditures	\$ 2,494	\$ 1,622	\$ 7,273	\$ —	\$ 212	\$ 11,601
Three Months Ended September 30, 2018 (Unaudited)						
Operating revenues	\$ 115,978	\$ 64,314	\$ 59,539	\$ 6,503	\$ —	\$ 246,334
Direct operating costs	(89,777)	(50,591)	(42,785)	(7,246)	—	(190,399)
Segment profits	\$ 26,201	\$ 13,723	\$ 16,754	\$ (743)	\$ —	\$ 55,935
Depreciation and amortization	\$ 16,563	\$ 6,533	\$ 7,214	\$ 314	\$ 2,130	\$ 32,754
Capital expenditures	\$ 10,664	\$ 4,921	\$ 6,710	\$ 43	\$ 804	\$ 23,142
Nine Months Ended September 30, 2019 (Unaudited)						
Operating revenues	\$ 224,897	\$ 175,777	\$ 155,083	\$ 9,657	\$ —	\$ 565,414
Direct operating costs	(176,918)	(135,752)	(107,611)	(13,191)	—	(433,472)
Segment profits	\$ 47,979	\$ 40,025	\$ 47,472	\$ (3,534)	\$ —	\$ 131,942
Depreciation and amortization	\$ 40,898	\$ 16,464	\$ 22,824	\$ 189	\$ 5,293	\$ 85,668
Capital expenditures	\$ 17,634	\$ 13,127	\$ 22,300	\$ 123	\$ 712	\$ 53,896
Identifiable assets	\$ 205,950	\$ 82,819	\$ 115,693	\$ 5,483	\$ 257,684	\$ 667,629
Nine Months Ended September 30, 2018 (Unaudited)						
Operating revenues	\$ 360,523	\$ 184,533	\$ 175,727	\$ 13,585	\$ —	\$ 734,368
Direct operating costs	(279,963)	(145,303)	(127,716)	(14,691)	—	(567,673)
Segment profits	\$ 80,560	\$ 39,230	\$ 48,011	\$ (1,106)	\$ —	\$ 166,695
Depreciation and amortization	\$ 45,638	\$ 18,196	\$ 22,978	\$ 1,097	\$ 6,241	\$ 94,150
Capital expenditures	\$ 32,002	\$ 17,227	\$ 17,488	\$ 553	\$ 1,558	\$ 68,828
Identifiable assets	\$ 245,273	\$ 105,287	\$ 115,803	\$ 5,203	\$ 307,404	\$ 778,970

The following table reconciles the segment profits reported above to the operating loss as reported in the consolidated statements of operations for the three and nine months ended September 30, 2019 and 2018 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Segment profits	\$ 39,899	\$ 55,935	\$ 131,942	\$ 166,695
General and administrative expenses	(32,125)	(39,599)	(102,450)	(132,038)
Depreciation and amortization	(29,179)	(32,754)	(85,668)	(94,150)
Loss on disposal of assets	(837)	(191)	(2,634)	(3,891)
Asset impairment	(3,216)	\$ —	(3,216)	—
Operating loss	\$ (25,458)	\$ (16,609)	\$ (62,026)	\$ (63,384)

14. Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02 - "Leases (Topic 842)." The purpose of this update is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Basic has adopted the standard effective January 1, 2019, and has included the disclosures required by ASU 2016-02. For further discussion see Note 5, "Leases".

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. In addition, the ASU requires credit losses relating to available-for-sale debt securities to be recorded through an allowance for credit losses. The amendments in this ASU broaden the information that an entity must consider in developing its expected credit loss estimate for assets measured either collectively or individually. The new standard is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019. Basic is currently evaluating the impact of this pronouncement on its consolidated financial statements

In August 2018, the FASB issued ASU 2018-15, "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract." ASU 2018-15 requires implementation costs incurred by customers in cloud computing arrangements to be deferred over the noncancellable term of the cloud computing arrangements plus any optional renewal periods (1) that are reasonably certain to be exercised by the customer or (2) for which exercise of the renewal option is controlled by the cloud service provider. The effective date of this pronouncement is for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, and early adoption is permitted. The standard can be adopted either using the prospective or retrospective transition approach. Basic is currently evaluating the impact of this pronouncement on its consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Overview

We provide a wide range of wellsite services to oil and natural gas drilling and producing companies, including Completion & Remedial Services, Well Servicing, Water Logistics and Other Services.

Our total hydraulic horsepower ("HHP") decreased to 479,470 at the end of the third quarter of 2019 compared to 516,465 for the third quarter of 2018. Our weighted average HHP capacity decreased from 522,565 at January 1, 2018, to 479,470 at September 30, 2019. Our weighted average number of fluid service trucks decreased to 795 in the third quarter of 2019 from 870 in the third quarter of 2018. Our weighted average number of Well Servicing rigs decreased from 310 in the third quarter of 2018 to 307 in the third quarter of 2019.

Our operating revenues from each of our segments, and their relative percentages of our total revenues, consisted of the following for the nine months ended September 30, 2019 and 2018 (dollars in millions):

	Nine Months Ended September 30,			
	2019		2018	
Revenues:				
Completion & Remedial Services	\$ 224.9	40%	\$ 360.5	49%
Well Servicing	175.8	31%	184.6	25%
Water Logistics	155.1	27%	175.7	24%
Other Services	9.6	2%	13.6	2%
Total revenues	\$ 565.4	100%	\$ 734.4	100%

During 2018 and through the third quarter of 2019, oil prices have remained depressed though relatively stable. We expect our customers' capital programs to remain comparatively conservative during the remainder of 2019, as the Exploration and Production sector is under pressure to grow within the limits of operating cash flow.

We believe that the most important performance measures for our business segments are as follows:

- *Completion & Remedial Services* — segment revenue and segment profits as a percent of revenues;
- *Well Servicing* — segment profits as a percent of revenues, rig hours, rig utilization rate, revenue per rig hour, and profits per rig hour;
- *Water Logistics* — segment revenue, segment profits as a percent of revenues, trucking hours, pipeline volumes ; and
- *Other Services* — rig operating days, revenue per drilling day, profits per drilling day and segment profits as a percent of revenues.

Segment profits are computed as segment operating revenues less direct operating costs. These measurements provide important information to us about the activity and profitability of our lines of business. For a detailed analysis of these indicators for the Company, see "Segment Overview" below.

Selected Acquisitions and Divestitures

During the year ended December 31, 2018, and through the first nine months of 2019, we did not enter into or complete any business acquisitions or divestitures.

Segment Overview

Completion & Remedial Services

During the first nine months of 2019, our Completion & Remedial Services segment represented approximately 40% of our revenues. Revenues from our Completion & Remedial Services segment are derived from a variety of services designed to complete and stimulate oil and natural gas production or place cement slurry within the wellbores. Our Completion & Remedial Services segment includes fracturing equipment, pumping services, rental and fishing tool operations, coiled tubing services, nitrogen services, snubbing and underbalanced drilling.

Our pumping services concentrate on providing primary and remedial cementing and acidizing services, as well as various fracturing services in selected markets. Our total HHP capacity was approximately 479,470 horsepower at September 30, 2019.

In this segment, we derive our revenues on a project-by-project basis in a competitive bidding process. Our bids are based on the amount and type of equipment and personnel required, with the materials consumed billed separately.

The following is an analysis of our Completion & Remedial Services segment for each of the quarters in 2018, the full year ended December 31, 2018 and the quarters ended March 31, 2019, June 30, 2019 and September 30, 2019 (dollars in thousands):

	Total HHP	Frac HHP	Revenues	Segment Profits %
2018:				
First Quarter	522,565	413,300	\$ 117,597	24%
Second Quarter	516,465	407,800	\$ 126,948	21%
Third Quarter	516,465	386,050	\$ 115,978	21%
Fourth Quarter	513,000	386,050	\$ 108,933	21%
Full Year	513,000	386,050	\$ 469,456	22%
2019:				
First Quarter	489,270	360,800	\$ 76,834	17%
Second Quarter	479,000	344,500	\$ 78,061	24%
Third Quarter	479,470	344,500	\$ 70,002	23%

The decrease in Completion & Remedial Services revenue to \$70.0 million in the third quarter of 2019 from \$78.1 million in the second quarter of 2019 resulted from declines in our fracturing and coiled tubing lines of business. Segment profits as a percentage of revenue decreased marginally to 23% in the third quarter of 2019 from 24% in second quarter of 2019.

Well Servicing

During the first nine months of 2019, our Well Servicing segment represented 31% of our revenues. Revenue in our Well Servicing segment is derived from maintenance, workover, completion and plugging and abandonment services. We provide maintenance-related services as part of the normal, periodic upkeep of producing oil and natural gas wells. Maintenance-related services represent a relatively consistent component of our business. Workover and completion services generate more revenue per hour than maintenance work due to the use of auxiliary equipment, but demand for workover and completion services fluctuates more with the overall activity level in the industry.

We typically charge our Well Servicing rig customers for services on an hourly basis at rates that are determined by the type of service and equipment required, market conditions in the region in which the rig operates, the ancillary equipment provided on the rig and the necessary personnel. We measure the activity level of our Well Servicing rigs on a weekly basis by calculating a rig utilization rate based on a 55-hour workweek per rig.

The following is an analysis of our Well Servicing segment for each of the quarters in 2018, the full year ended December 31, 2018, and the quarters ended March 31, 2019, June 30, 2019 and September 30, 2019:

	Weighted Average Number of Rigs	Rig hours	Rig Utilization Rate	Revenue Per Rig Hour	Profits Per Rig hour	Segment Profits %
2018:						
First Quarter	310	168,500	76%	\$338	\$62	18%
Second Quarter	310	181,600	82%	\$348	\$83	24%
Third Quarter	310	180,300	82%	\$357	\$76	21%
Fourth Quarter	310	159,600	72%	\$368	\$71	19%
Full Year	310	690,000	78%	\$353	\$73	21%
2019:						
First Quarter	310	165,000	74%	\$367	\$81	22%
Second Quarter	308	155,200	70%	\$375	\$85	23%
Third Quarter	307	149,000	68%	\$383	\$91	24%

Rig utilization was 68% in the third quarter of 2019, down from 70% in the second quarter of 2019. The decreased utilization rate in the third quarter of 2019 resulted from a marginal decrease in customer demand and activity and slightly improved pricing, primarily for our 24-hour rig packages. Our segment profit percentage increased slightly to 24% for the third quarter of 2019 compared to 23% in the second quarter of 2019.

Water Logistics

During the first nine months of 2019, our Water Logistics segment represented approximately 27% of our revenues. Revenues in our Water Logistics segment are earned from the sale, transportation, storage and disposal of fluids used in the drilling, production and maintenance of oil and natural gas wells. Revenues also include water treatment, wellsite construction and maintenance services. The Water Logistics segment has a base level of business consisting of transporting and disposing of saltwater produced as a by-product of the production of oil and natural gas. These services are necessary for our customers and have a stable demand but typically produce lower relative segment profits than other parts of our Water Logistics segment. Water Logistics for completion and workover projects typically require fresh or brine water for making drilling mud, circulating fluids or fracturing fluids used during a job, and all of these fluids require storage tanks and hauling and disposal. Because we can provide a full complement of fluid sales, trucking, storage and disposal required on most drilling and workover projects, the add-on services associated with drilling and workover activity enable us to generate higher segment profits. The higher segment profits are due to the relatively small incremental labor costs associated with providing these services in addition to our base Water Logistics operations. Revenues from our wellsite construction services are derived primarily from preparing and maintaining access roads and well locations, installing small diameter gathering lines and pipelines, constructing foundations to support drilling rigs and providing maintenance services for oil and natural gas facilities. Revenue from water treatment services results from the treatment and reselling of produced water and flowback to customers for the purposes of reusing as fracturing water. We typically price fluid services by the job, by the hour or by the quantities sold, disposed of or hauled.

The following is an analysis of our Water Logistics operations for each of the quarters in 2018, the full year ended December 31, 2018 and the quarters ended March 31, 2019, June 30, 2019 and September 30, 2019 (dollars in thousands):

	Weighted Average Number of Fluid Service Trucks	Truck Hours	Trucking Volumes (in bbls)	Pipeline Volumes (in bbls)	Revenue	Segment Profits %
2018:						
First Quarter	960	479,600	6,414,800	1,551,000	\$56,509	28%
Second Quarter	903	486,800	6,912,900	2,064,000	\$59,679	26%
Third Quarter	870	448,200	6,898,200	2,526,000	\$59,539	28%
Fourth Quarter	837	438,500	6,659,000	3,221,000	\$55,556	29%
Full Year	891	1,853,100	26,884,900	9,362,000	\$231,283	28%
2019:						
First Quarter	818	424,100	6,620,000	3,050,000	\$55,601	33%
Second Quarter	814	403,200	6,778,000	3,174,000	\$51,031	30%
Third Quarter	795	382,500	6,956,000	3,807,000	\$48,451	28%

Revenue for the Water Logistics segment decreased to \$48.5 million in the third quarter of 2019 compared to \$51.0 million in the second quarter of 2019 as a result of decreased levels of trucking utilization. Segment profit percentage decreased slightly to 28% in the third quarter of 2019 from 30% in the second quarter of 2019 primarily due to the effect of reduced revenues on lower production-related demand.

Other Services

During the first nine months of 2019, our Other Services segment represented approximately 2% of our revenues. Revenues from our Other Services segment are derived from our contract drilling operations, which consist of drilling of new wells, and our rig manufacturing operations.

Within our contract drilling operations, we typically charge our drilling rig customers a daily rate, or a rate based on footage at an established rate per number of feet drilled. Depending on the type of job, we may also charge by the project. We measure the activity level of our drilling rigs on a weekly basis by calculating a rig utilization rate based on a seven-day workweek per rig.

We also manufacture rigs and other related equipment for internal purposes as well as to sell to outside companies. Our rig manufacturing operation also performs large-scale refurbishments and maintenance services to used workover rigs. As a result of decreased demand for newly manufactured rigs, the Company increased reserves for unrecoverable inventory by \$3.9 million during the third quarter of 2019, as our manufacturing entity turns its focus to providing services and parts for previously manufactured equipment.

The following is an analysis of our contract drilling operations for each of the quarters in 2018, the full year ended December 31, 2018, and quarters ended March 31, 2019, June 30, 2019 and September 30, 2019 (dollars in thousands):

	Weighted Average Number of Rigs	Rig Operating Days	Revenue Per Drilling Day	Profits Per Drilling Day	Contract Drilling Profits %	Segment Profits %
2018:						
First Quarter	11	175	\$17.3	\$2.7	16%	(17)%
Second Quarter	11	91	\$25.7	\$6.5	25%	7%
Third Quarter	11	129	\$27.7	\$6.5	24%	(11)%
Fourth Quarter	11	184	\$22.1	\$4.8	23%	11%
Full Year	11	579	\$22.4	\$4.9	22%	(1)%
2019:						
First Quarter	11	115	\$24.2	\$5.9	20%	8%
Second Quarter	9	90	\$24.9	\$5.0	20%	(13)%
Third Quarter	9	92	\$26.9	\$8.1	28%	(125)%

Contract drilling revenue per drilling day increased to \$26,900 in the third quarter of 2019 compared to \$24,900 in the second quarter of 2019 due to improved pricing. Contract drilling profit percentage increased to 28% in the third quarter of 2019 compared to 20% in the second quarter of 2019, while segment loss margin was 125% in the third quarter, compared to a loss margin of 13% in the second quarter of 2019. The segment decrease is related to reduced demand for newly manufactured capital equipment in the third quarter for 2019.

During the third quarter of 2019, the Company recognized an asset impairment of \$3.2 million related to Contract Drilling assets, and transferred \$6.3 million of equipment to Assets Held for Sale, which is included in Current Assets on our Consolidated Balance Sheet.

Operating Cost Overview

Our operating costs are comprised primarily of labor costs, including workers' compensation and health insurance, repair and maintenance, fuel and insurance. A majority of our employees are paid on an hourly basis. We also employ personnel to supervise our activities, sell our services and perform maintenance on our fleet. These costs are not directly tied to our level of business activity. Repair and maintenance is performed by our crews, company maintenance personnel and outside service providers. Insurance is generally a fixed cost regardless of utilization and can vary depending on the number of rigs, trucks and other equipment in our fleet, as well as employee payroll, and our safety record. Compensation for administrative personnel in local operating yards and our corporate office is accounted for as general and administrative expenses.

Critical Accounting Policies and Estimates

Our unaudited consolidated financial statements are impacted by the accounting policies used and the estimates and assumptions made by management during their preparation. A complete summary of our significant accounting policies is included in Note 4. "Summary of Significant Accounting Policies" of the Financial Statements and Supplementary Data in our most recent Annual Report on Form 10-K.

Results of Operations

The following is a comparison of our results of operations for the three and nine months ended September 30, 2019, compared to the three and nine months ended September 30, 2018. For additional segment-related information and trends, please read "Segment Overview" above.

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

Revenues. Revenues decreased by 28% to \$178.4 million during the third quarter of 2019 from \$246.3 million during the same period in 2018. This decrease was primarily due to decreased activity, particularly in our

Completion & Remedial Services segment, by our customers as Exploration & Production companies are increasingly graded on production of free cash flow rather than growth of reserves.

Completion & Remedial Services revenues decreased by 40% to \$70.0 million during the third quarter of 2019 compared to \$116.0 million in the same period in 2018, as exploration and production companies continue to curtail capital spending. Total HHP decreased to 479,470 at September 30, 2019 from 516,465 at September 30, 2018. Weighted average HHP decreased to 479,470 for the third quarter of 2019 from 516,000 in the third quarter of 2018.

Well Servicing revenues decreased by 11% to \$57.1 million during the third quarter of 2019 compared to \$64.3 million during the same period in 2018. The decrease was driven by a decrease in 24-hour work and relatively flat pricing of our equipment packages, primarily due to decreases in customer demand. Our weighted average number of Well Servicing rigs decreased to 307 during the third quarter of 2019 compared to 310 during the third quarter of 2018. Utilization decreased to 68% in the third quarter of 2019, compared to 82% in the comparable quarter of 2018 due to decreased demand. Revenue per rig hour in the third quarter of 2019 was \$383, increasing from \$357 in the comparable quarter of 2018 due to rate increases to customers.

Water Logistics revenues decreased by 19% to \$48.5 million during the third quarter of 2019 compared to \$59.5 million in the same period in 2018. Our revenue decrease was mainly due to declines in production related services in the third quarter of 2019. Pipeline water volumes increased by 51% to 3.8 million barrels or 35% of total disposal volumes compared to 2.5 million barrels or 27% of total disposal volumes in the third quarter of 2018. Our weighted average number of fluid service trucks decreased to 795 during the third quarter of 2019 compared to 870 in the same period in 2018, related to the increase in piped water.

Other Services segment revenues decreased by 57% to \$2.8 million during the third quarter of 2019 compared to \$6.5 million in the same period in 2018. The number of rig operating days decreased to 92 in the third quarter of 2019 from 129 in the third quarter of 2018. The decrease in revenue was due to decreases in manufacturing revenue.

Direct Operating Expenses. Direct operating expenses, which primarily consist of labor, including workers' compensation and health insurance, repair and maintenance, fuel and insurance, decreased 27% to \$138.5 million during the third quarter of 2019 from \$190.4 million in the same period in 2018, primarily due to decreases in Completion & Remedial segment activity and corresponding decreases in employee headcount and wages to adapt to current activity levels.

Direct operating expenses for the Completion & Remedial Services segment decreased by 40% to \$53.8 million during the third quarter of 2019 compared to \$89.8 million for the same period in 2018 due primarily to decreased activity levels, especially in our pumping and fracturing services. Segment profits remained constant at 23% of revenues during the third quarter of 2019 compared to the same period in 2018.

Direct operating expenses for the Well Servicing segment decreased by 14% to \$43.5 million during the third quarter of 2019 compared to \$50.6 million for the same period in 2018. The decrease in direct operating expenses corresponds to decreased workover and plugging activity levels, however rate increases to customers resulted in segment profits increasing slightly to 24% of revenues during the third quarter of 2019 from 21% for the same period in 2018.

Direct operating expenses for the Water Logistics segment decreased by 19% to \$34.8 million during the third quarter of 2019 compared to \$42.8 million for the same period in 2018 due to decreased production related activities. Segment profits remained constant at 28% of revenues during the third quarter of 2019 compared to the same period in 2018, despite declines in revenue due to higher margin pipeline revenues.

Direct operating expenses for the Other Services segment decreased 12% to \$6.3 million, which includes a charge for unrecoverable inventory of \$3.9 million, during the third quarter of 2019 compared to \$7.2 million for the same period in 2018. Segment loss for third quarter of 2019 was 125%, up from a segment loss of 11% during the third quarter of 2018 due to increased reserves for unrecoverable manufacturing inventory of \$3.9 million, which was a charge to direct expense.

General and Administrative Expenses. General and administrative expenses decreased by 19% to \$32.1 million during the third quarter of 2019 from \$39.6 million for the same period in 2018. Stock-based compensation expense was \$1.2 million and \$5.6 million during the third quarter of 2019 and 2018, respectively. In addition, in the third quarter of 2019, our Chief Executive Officer announced his departure, which required the Company to accrue additional severance compensation charges of \$0.8 million. This charge was offset by a reversal of non-cash share compensation expense \$2.3 million, related to the accounting treatment of unvested shares forfeitures. For the same period in 2018, we incurred strategic realignment costs of approximately \$2.3 million.

Depreciation and Amortization Expenses. Depreciation and amortization expenses were \$29.2 million during the third quarter of 2019 compared to \$32.8 million for the same period in 2018.

Interest Expense. Interest expense increased to \$11.7 million during the third quarter of 2019 compared to \$10.9 million during the third quarter of 2018. Interest expense consisted primarily of interest on our Senior Notes and capital leases. The decrease is related to interest on the Prior ABL Facility, which was extinguished in the fourth quarter of 2018.

Income Tax Benefit. Income tax expense during the third quarter of 2019 was \$2.0 million compared to no income tax expense in the same period in 2018. Tax expense in the third quarter was related to the write-off of unrecoverable Oklahoma state income taxes receivable and related accrual of state income tax expense of \$1.2 million. Our effective tax rate during the third quarter of 2019 and 2018 was approximately 5% and 0%, respectively.

Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018

Revenues. Revenues decreased by 23% to \$565.4 million during the nine months ended September 30, 2019 from \$734.4 million during the same period in 2018. This decrease was primarily due to decreased activity, particularly in our Completion & Remedial Services segment, by our customers as Exploration & Production companies are increasingly graded on production of free cash flow rather than growth of reserves.

Completion & Remedial Services revenues decreased by 38% to \$224.9 million during the nine months ended September 30, 2019 compared to \$360.5 million in the same period in 2018. The decrease in revenue between these periods was primarily due to decreased activity, particularly in our fracturing and pumping lines of business. Total HHP decreased to 479,470 at September 30, 2019, from 516,465 at September 30, 2018. Weighted average HHP decreased to 489,410 for the nine months ended September 30, 2019, from 516,000 in the same period of 2018.

Well Servicing revenues decreased by 5% to \$175.8 million during the nine months ended September 30, 2019, compared to \$184.5 million during the same period in 2018. The decrease was driven by a decrease in 24-hour work and in pricing of our equipment packages, primarily due to decreases in customer demand. Our weighted average number of Well Servicing rigs decreased to 307 during the nine months ended September 30, 2019, compared to 310 during same period 2018. Utilization decreased to 71% in the nine months ended September 30, 2019, compared to 80% in the comparable period of 2018 due to declines in production related activity. Revenue per rig hour in the nine months ended September 30, 2019 was \$375, increasing from \$348 in the comparable period of 2018.

Water Logistics revenues decreased by 12% to \$155.1 million during the nine months ended September 30, 2019, compared to \$175.7 million in the same period in 2018, mainly due to decreases in customer demand. Pipeline water volumes increased 62% to 10.0 million barrels or 33% of total disposal volumes during the nine months ended September 30, 2019, compared to 6.1 million barrels or 23% of total disposal volumes during the nine months ended September 30, 2018. Our weighted average number of fluid service trucks decreased to 809 during the nine months ended September 30, 2019, compared to 909 in the same period in 2018, as pipeline volumes increased.

Other Services revenues decreased by 29% to \$9.7 million during the nine months ended September 30, 2019, compared to \$13.6 million in the same period in 2018. This decrease is related to decreases in rig manufacturing activity and the decreased number of rig operating days to 297 in the nine months ended September 30, 2019, from 395 in the comparable period of 2018.

Direct Operating Expenses. Direct operating expenses, which primarily consist of labor, including workers' compensation and health insurance, repair and maintenance, fuel and insurance, decreased to \$433.5 million during the nine months ended September 30, 2019, from \$567.7 million in the same period in 2018, primarily due to decreases in activity and corresponding decreases in employee headcount and wages to adapt to current activity levels.

Direct operating expenses for the Completion & Remedial Services segment decreased by 37% to \$176.9 million during the nine months ended September 30, 2019, compared to \$280.0 million for the same period in 2018. Segment profits were relatively stable at 21% of revenues during the nine months ended September 30, 2019, compared to 22% for the same period in 2018, as decreases in direct cost kept pace with decreased revenues.

Direct operating expenses for the Well Servicing segment decreased by 7% to \$135.8 million during the nine months ended September 30, 2019, compared to \$145.3 million for the same period in 2018. Segment profits increased to 23% of revenues during the nine months ended September 30, 2019, from 21% for the same period in 2018 due to improved cost management.

Direct operating expenses for the Water Logistics segment decreased by 16% to \$107.6 million during the nine months ended September 30, 2019, compared to \$127.7 million for the same period in 2018. Segment profits were 31% of revenues during the nine months ended September 30, 2019, compared to 27% for the same period in 2018, due to higher margin pipeline revenues.

Direct operating expenses for the Other Services segment included a charge of \$3.9 million for unrecoverable manufacturing inventory, and decreased 10% to \$13.2 million during the nine months ended September 30, 2019 compared to \$14.7 million for the same period in 2018. Segment loss increased to 37% of revenues during the nine months ended September 30, 2019, from a segment loss of 8% during the nine months ended September 30, 2018, mainly due to the increased reserve expense for unrecoverable manufacturing inventory during nine months ended September 30, 2019.

General and Administrative Expenses. General and administrative expenses decreased by 22% to \$102.5 million during the nine months ended September 30, 2019, from \$132.0 million for the same period in 2018. Stock-based compensation expense was \$7.8 million and \$22.0 million during the nine months ended September 30, 2019, and 2018, respectively. During the nine months ended September 30, 2019, G&A included: one-time charges related to consulting fees of \$0.9 million for reclamation of tax refund for the 2007 tax year, \$1.2 million in fees for an acquisition deal that we chose not to pursue, and \$0.8 million in severance, and a related decrease in non-cash share compensation expense due to the forfeiture of unvested shares related to the CEO's departure. During the nine months ended September 30, 2018, one-time costs included: \$6.0 million accrued expense for Texas State Sales Tax audit settlement, \$3.9 million for executive retirement, \$3.1 million for bad debt related to one customer, and \$4.6 million for consulting fees related to our realignment in 2018.

Depreciation and Amortization Expenses. Depreciation and amortization expenses were \$85.7 million during the nine months ended September 30, 2019, compared to \$94.2 million for the same period in 2018. The decrease is mainly related to reduced capital spending during the nine months ended September 30, 2019.

Interest Expense. Interest expense decreased to \$33.0 million during the nine months ended September 30, 2019 compared to \$35.0 million during the nine months ended September 30, 2018. Interest expense consisted primarily of interest on our Senior Notes and capital leases. The decrease in interest expense was related to interest on the balance outstanding under our Prior ABL Facility, which was extinguished in the fourth quarter of 2018.

Income Tax Expense. Income tax expense during the nine months ended September 30, 2019, was \$0.1 million compared to \$0.2 million for the same period in 2018. On March 1, 2019, we filed an amended 2007 federal tax return under section 172(f) of the Internal Revenue Code of 1986, as amended which allowed us to carry-back and recover workers' compensation expenses in years we had Net Operating Losses "NOL" for 10 years. We carried back approximately \$5.3 million of expense to 2007, which allowed us to claim a refund of \$1.9 million of 2007 taxes. The net effect of this transaction was a tax benefit and a reduction of our NOL of \$1.8 million in the first quarter of 2019, offset by write-offs of unrecoverable Oklahoma state income taxes receivable of \$0.8 million, and accrual for state income taxes payable of \$1.2 million. Our effective tax rate during the nine months ended September 30, 2019, and 2018 was approximately 0.1% and 0.2%, respectively.

Liquidity and Capital Resources

Our current primary capital resources are cash flow from our operations, availability under our New ABL Facility, the ability to enter into finance leases, the ability to incur additional secured indebtedness, and a cash balance of \$50.5 million at September 30, 2019. We had \$50.4 million of available borrowing capacity under the New ABL Facility at September 30, 2019.

On October 2, 2018, the Company issued in a private offering \$300.0 million aggregate principal amount of 10.75% senior secured notes due 2023 at 99.042% of par and entered into a new \$150.0 million senior secured revolving credit facility. For further discussion see Note 4, "Long-Term Debt and Interest Expense".

We have utilized, and expect to utilize in the future, bank and finance lease financing and sales of equity to obtain capital resources.

As market conditions warrant and subject to our contractual restrictions, liquidity position and other factors, we may from time to time access the capital markets or seek to recapitalize, refinance or otherwise restructure our capital structure. We may accomplish this through open market or privately negotiated transactions, which may include, among other things, repurchases of our common stock or outstanding debt, debt-for-debt or debt-for-equity exchanges, refinancings, private or public equity or debt raises and rights offerings. Many of these alternatives may require the consent of current lenders, stockholders or noteholders, and there is no assurance that we will be able to execute any of these alternatives on acceptable terms or at all. The amounts involved in any such transaction, individually or in the aggregate, may be material.

Share Repurchase Program

On May 31, 2019, we announced that the Board authorized a share repurchase plan whereby we may repurchase up to \$5.0 million of our outstanding shares of common stock beginning on June 4, 2019 for a period of 12 months. We are authorized to repurchase our common stock from time to time in open market purchases or in private transactions in accordance with applicable federal securities laws. The timing of repurchases and the exact number of shares to be purchased will be determined by our management, in its discretion, and will depend upon market conditions and other factors including the stock price, corporate and regulatory requirements and other market and economic conditions. The stock repurchase program may be suspended or discontinued as determined by the Board. During the year ended September 30, 2019, we repurchased approximately 2,547,920 shares of common stock at a weighted average purchase price of \$1.88 per share. The total remaining share authorization as of September 30, 2019 was \$0.2 million.

Net Cash Provided by Operating Activities

Cash provided by operating activities was \$28.5 million for the nine months ended September 30, 2019, a decrease compared to cash provided by operating activities of \$56.4 million during the same period in 2018. Operating cash flow provided in the first nine months of 2019 decreased compared to the same period in 2018 due to lower working capital levels as accounts payable decreased by \$31.6 million during the nine months ended September 30, 2019.

Our liquidity, including our ability to meet our ongoing operational obligations, is dependent upon, among other things, our ability to maintain adequate cash on hand and generate cash flow from operations. Maintaining adequate liquidity depends upon industry conditions and financial, competitive, and other factors beyond our control. In the event that cash on hand and cash flow from operations is not sufficient to meet our liquidity needs, we may have limited access to additional financing.

Capital Expenditures

Cash capital expenditures during the first nine months of 2019 were \$46.3 million, compared to \$48.6 million in the same period of 2018. We added \$7.9 million of leased assets through our finance lease program and other financing arrangements during the first nine months of 2019 compared to \$16.6 million of leased asset additions in the same period in 2018.

We currently have planned capital expenditures for the full year of 2019 of approximately \$58.3 million, including finance leases of \$7.9 million. We do not budget acquisitions in the normal course of business, and we regularly engage in discussions related to potential acquisitions related to the oilfield services industry.

Contractual Obligations

Outside of the normal course of our business, as of September 30, 2019, there have been no material changes to our contractual obligations reported in our Annual Report on Form 10-K for the year ended December 31, 2018.

Other Matters

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Net Operating Losses

As of September 30, 2019, we had approximately \$860.9 million of NOLs, for federal income tax purposes, which begin to expire in 2032 and \$323.4 million of NOLs for state income tax purposes, which begin to expire in 2019. NOLs generated after 2017 are carried forward indefinitely and are limited to 80% of taxable income. NOLs generated prior to 2018 continue to be carried forward for 20 years and have no 80% limitation on utilization.

We provide a valuation allowance when it is more likely than not that some portion of the deferred tax assets will not be realized. As of September 30, 2019, a valuation allowance of \$192.0 million was recorded against our net deferred tax assets for all jurisdictions that are not expected to be realized.

Recent Accounting Pronouncements

Our consideration of recent accounting pronouncements is included in Note 14. "Recent Accounting Pronouncements" to the consolidated financial statements included in this quarterly report.

Impact of Inflation on Operations

Inflation in the United States has been relatively low in recent years and did not have a material impact on our results of operations for the three and nine months ended September 30, 2019, or the year ended December 31, 2018. Although the impact of inflation has been insignificant in recent years, it is still a factor in the U.S. economy, and we tend to experience inflationary pressure on the cost of our equipment, materials and supplies as increasing oil and natural gas prices also increase activity in our areas of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a “smaller reporting company”, we are not required to provide this information.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As required by Rule 13a-15(b) of 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. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file or submit under the Exchange Act 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 and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based upon the evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of September 30, 2019, at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

During the most recent fiscal quarter, there have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We may make changes in our internal control procedures from time to time in the future.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are a party to litigation or other legal proceedings that we consider to be a part of the ordinary course of business. We are not currently involved in any legal proceedings that we consider probable or reasonably possible, individually or in the aggregate, to result in a material adverse effect on our financial condition, results of operations or liquidity. The information regarding litigation and environmental matters described in Note 8. "Commitments and Contingencies", of the notes to our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q is incorporated herein by reference.

ITEM 1A. RISK FACTORS

During the quarter ended September 30, 2019, there have been no material changes in our risk factors disclosed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2018, except for the following:

If we do not successfully manage the transition associated with the resignation of our chief executive officer and the appointment of a new chief executive officer, it could have an adverse impact on our business.

T.M. “Roe” Patterson announced on September 13, 2019 that he plans to resign from his position as our chief executive officer and a member of our board of directors in order to pursue other interests. The Company has begun an executive search for a new chief executive officer. Although Mr. Patterson has agreed to provide consulting services to us following his separation until December 31, 2021, leadership transitions can be inherently difficult to manage, and an inadequate transition to a new chief executive officer may cause disruption to our business. In addition, if we are unable to attract and retain a qualified candidate to become our chief executive officer in a timely manner, our ability to meet our financial and operational goals and strategic plans may be adversely impacted. This may also make it more difficult for us to retain and hire key management and other team members.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table summarizes stock repurchase for the three months ended September 30, 2019 (dollars in thousands):

Period	Issuer Purchases of Equity Securities			
	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program (1)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program (1)
July 1 - July 31	1,188,624	\$ 1.94	1,188,624	\$ —
August 1 - August 31	763,102	1.48	763,102	—
September 1 - September 30	—	—	—	—
Total	1,951,726	\$ 1.76	1,951,726	\$ 221

(1) On May 31, 2019, we announced that our Board of Directors has authorized the repurchase of up to \$5.0 million of its outstanding shares of common stock from time to time in open market or private transactions, at the Company's discretion. This authorization expires on June 4, 2020. The timing and actual number of shares repurchased will depend on a variety of factors including the stock price, corporate and regulatory requirements and other market and economic conditions. The stock repurchase program may be suspended or discontinued as determined by the Board of Directors.

ITEM 5. OTHER INFORMATION

Not applicable

ITEM 6. EXHIBITS

Exhibit No.	Description
3.1*	Second Amended and Restated Certificate of Incorporation of Basic Energy Services, Inc. (Incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form 8-A12B (SEC File No. 001-32693) filed on December 23, 2016).
3.2*	Second Amended and Restated Bylaws of Basic Energy Services, Inc. (Incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form 8-A12B (SEC File No. 001-32693) filed on December 23, 2016).
4.1*	Specimen Stock Certificate representing Common Stock of the Company (Incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form 8-A12B (SEC File No. 001-32693), filed on December 23, 2016).
4.2*	Warrant Agreement between Basic, as issuer, and American Stock Transfer & Trust Company, LLC, as warrant agent, dated as of December 23, 2016. (Incorporated by reference to Exhibit 4.1 to Form 8-A12G (SEC File No. 001-32693) filed on December 23, 2016).
4.3*	Registration Rights Agreement, dated as of December 23, 2016, between Basic and certain stockholders (Incorporated by reference to Exhibit 10.1 of the Company's Registration Statement on Form 8-A12B (SEC File No. 001-32693) filed on December 23, 2016).
4.4*	Indenture, dated as of October 2, 2018, by and among Basic Energy Services, Inc., the subsidiary guarantors party thereto and UMB Bank, N.A., as trustee and collateral agent (Incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K (SEC File No. 001-32693) filed on October 9, 2018).
4.5*	Form of 10.75% Senior Secured Note due 2023 (included as Exhibit A in Exhibit 4.4).
4.6#	First Supplemental Indenture, dated as of August 22, 2019, by and among Agua Libre Midstream LLC, Agua Libre Holdco LLC, Agua Libre Asset Co. LLC, Basic Energy Services, Inc., the subsidiary guarantors party thereto and UMB Bank, N.A., as trustee and collateral agent.
10.1*†	Separation and Release Agreement, dated September 13, 2019, by and between the Company and T.M. Patterson (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (SEC File No. 001-32693) filed on September 13, 2019).
10.2#†	Amendment to Separation and Release Agreement dated October 25, 2019, by and between the Company and T.M. Patterson
10.3#	Supplement No. 1 to Security Agreement, dated as of August 22, 2019, by and among Basic Energy Services, Inc., as Borrower, the other Debtors party thereto, and Bank of America, N.A., as administrative agent.
10.4#	Supplement No. 1 to Security Agreement, dated as of August 22, 2019, by and among Basic Energy Services, Inc., as Borrower, the other Debtors party thereto, and UMB Bank, N.A., as collateral agent.
31.1#	Certification by Chief Executive Officer required by Rule 13a-14(a) and 15d-14(a) under the Exchange Act.
31.2#	Certification by Chief Financial Officer required by Rule 13a-14(a) and 15d-14(a) under the Exchange Act.
32.1##	Certification of Chief Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2##	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.CAL#	XBRL Calculation Linkbase Document
101.DEF#	XBRL Definition Linkbase Document
101.INS#	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.LAB#	XBRL Labels Linkbase Document
101.PRE#	XBRL Presentation Linkbase Document
101.SCH#	XBRL Schema Document

*Incorporated by reference

#Filed with this report

##Furnished with this report

†Management contract or compensatory plan or arrangement

SIGNATURES

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

BASIC ENERGY SERVICES, INC.

By: /s/ T.M. "Roe" Patterson
Name: T. M. "Roe" Patterson
Title: President, Chief Executive Officer and
Director (Principal Executive Officer)

By: /s/ David S. Schorlemer
Name: David S. Schorlemer
Title: Senior Vice President, Chief Financial Officer, Treasurer
and Secretary (Principal Financial Officer and
Principal Accounting Officer)

Date: November 1, 2019

FIRST SUPPLEMENTAL INDENTURE

This First Supplemental Indenture, dated as of August 22, 2019 (this "Supplemental Indenture" or "Subsidiary Guarantee"), is among Agua Libre Midstream LLC, a Delaware limited liability company, Agua Libre Holdco LLC, a Delaware limited liability company, and Agua Libre Asset Co LLC, a Delaware limited liability company (each, an "Additional Guarantor" and, collectively, the "Additional Guarantors"), Basic Energy Services, Inc. (together with its successors and assigns, the "Company"), each other then existing Guarantor under the Indenture referred to below, and UMB Bank, N.A., as Trustee (in such capacity, the "Trustee") and Collateral Agent (in such capacity, the "Collateral Agent") under the Indenture referred to below.

WITNESSETH:

WHEREAS, the Company, the existing Guarantors and the Trustee have heretofore executed and delivered an Indenture, dated as of October 2, 2018 (as amended, supplemented, waived or otherwise modified, the "Indenture"), providing for the issuance of an aggregate principal amount of \$300,000,000 of 10.75% of Senior Secured Notes due 2023 of the Company (the "Notes");

WHEREAS, Section 3.11 of the Indenture provides that after the Issue Date, the Company is required to cause certain of its Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture pursuant to which such Restricted Subsidiary will unconditionally Guarantee, on a joint and several basis with the other Guarantors, the full and prompt payment of the principal of, premium, if any, and interest on the Notes; and

WHEREAS, pursuant to Section 9.1 of the Indenture, the Trustee, the Guarantors and the Company are authorized to execute and deliver this Supplemental Indenture to amend or supplement the Indenture, without the consent of any Noteholder;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Additional Guarantors, the Company, the existing Guarantors and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

ARTICLE I

Definitions

SECTION 1.1 Defined Terms. As used in this Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined. The words "herein," "hereof" and "hereby" and other words of similar import used in this Supplemental Indenture refer to this Supplemental Indenture as a whole and not to any particular section hereof.

ARTICLE II

Agreement to be Bound; Subsidiary Guarantee

SECTION 2.1 Agreement to be Bound. Each Additional Guarantor hereby becomes a party to the Indenture as a Guarantor and as such will have all of the rights and be subject to all of the obligations and agreements of a Guarantor under the Indenture, including pursuant to Article X. Each Additional Guarantor agrees to be bound by all of the provisions of the Indenture applicable to a Guarantor and to perform all of the obligations and agreements of a Guarantor under the Indenture.

SECTION 2.2 Subsidiary Guarantee. Each Additional Guarantor agrees, on a joint and several basis with all the existing Guarantors, to fully, unconditionally and irrevocably Guarantee to each Holder of the Notes and the Trustee the Obligations pursuant to Article X of the Indenture.

ARTICLE III

Miscellaneous

SECTION 3.1 Notices. All notices and other communications to the Additional Guarantors shall be given as provided in Section 12.2 of the Indenture.

SECTION 3.2 Parties. Nothing expressed or mentioned herein is intended or shall be construed to give any Person, other than the Holders and the Trustee, any legal or equitable right, remedy or claim under or in respect of this Supplemental Indenture or the Indenture or any provision herein or therein contained.

SECTION 3.3 Governing Law. This Supplemental Indenture shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 3.4 Severability Clause. In case any provision in this Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and such provision shall be ineffective only to the extent of such invalidity, illegality or unenforceability.

SECTION 3.5 Ratification of Indenture; Supplemental Indentures Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby. The Trustee makes no representation or warranty as to the validity or sufficiency of this Supplemental Indenture or with respect to the recitals contained herein, all of which recitals are made solely by the other parties hereto.

SECTION 3.6 Counterparts. The parties hereto may sign one or more copies of this Supplemental Indenture in counterparts, all of which together shall constitute one and the same agreement. The exchange of copies of this Supplemental Indenture and of signature pages thereof by facsimile or PDF transmission shall constitute effective execution and delivery of this Supplemental Indenture as to the parties hereto and may be used in lieu of the original instrument for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

SECTION 3.7 Headings. The headings of the Articles and the sections in this Supplemental Indenture are for convenience of reference only and shall not be deemed to alter or affect the meaning or interpretation of any provisions hereof.

SECTION 3.8 Trustee's Disclaimer. The Trustee accepts the amendments of the Indenture effected by this Supplemental Indenture, but on the terms and conditions set forth in the Indenture, including the terms and provisions defining and limiting the liabilities and responsibilities of the Trustee. Without limiting the generality of the foregoing, the Trustee shall not be responsible in any manner whatsoever for or with respect to any of the recitals or statements contained herein, for or with respect to (i) the proper authorization hereof by the Company or the Subsidiary Guarantors by action or otherwise, (ii) the due execution hereof by the Company or the Guarantors, or (iii) the consequences of any amendment herein provided for, and the Trustee makes no representation with respect to any such matters.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first above written.

COMPANY:

BASIC ENERGY SERVICES, INC.
By: /s/David S. Schorlemer
Name: David S. Schorlemer
Title: Senior Vice President, Chief
Financial Officer and Secretary

ADDITIONAL GUARANTORS:

AGUA LIBRE MIDSTREAM LLC,
By: /s/David S. Schorlemer
Name: David S. Schorlemer
Title: Chief Financial Officer

AGUA LIBRE HOLDCO LLC,
By: /s/David S. Schorlemer
Name: David S. Schorlemer
Title: Chief Financial Officer

AGUA LIBRE ASSETCO LLC,
By: /s/David S. Schorlemer
Name: David S. Schorlemer
Title: Chief Financial Officer

GUARANTORS:

BASIC ENERGY SERVICES LP, LLC

By: /s/Jerry Tufly

Name: Jerry Tufly

Title: President

BASIC ENERGY SERVICES GP, LLC

By: /s/David S. Schorlemer

Name: David S. Schorlemer

Title: Senior Vice President, Chief

Financial Officer and Secretary

BASIC ENERGY SERVICES L.P.

By: BASIC ENERGY SERVICES GP, LLC
its General Partner

By: /s/David S. Schorlemer

Name: David S. Schorlemer

Title: Senior Vice President, Chief

Financial Officer and Secretary

TAYLOR INDUSTRIES, LLC

By: /s/David S. Schorlemer

Name: David S. Schorlemer

Title: Senior Vice President, Chief

Financial Officer and Secretary

BASIC ESA, INC

SCH DISPOSAL, L.L.C.

By: /s/David S. Schorlemer

Name: David S. Schorlemer

Title: Senior Vice President, Chief

Financial Officer and Secretary

UMB Bank, N.A., as Trustee

BY: /s/Shazia Flores

NAME: Shazia Flores

Title: Vice President

UMB Bank, N.A., as Collateral Agent

BY: /s/Shazia Flores

NAME: Shazia Flores

Title: Vice President

AMENDMENT TO SEPARATION AND RELEASE AGREEMENT

This Amendment to Separation and Release Agreement (the "**Amendment**") is made and entered into by and between Basic Energy Services, Inc., a Delaware corporation (the "**Company**"), and Thomas Monroe Patterson (the "**Individual**"), effective as of **October 25, 2019** (the "**Amendment Effective Date**").

WITNESSETH:

WHEREAS, the Company and the Individual previously entered into that certain Separation and Release Agreement dated as of **September 13, 2019** (the "**Separation Agreement**");

WHEREAS, the Separation Agreement allows the parties to amend the Separation Agreement by written instrument executed by both parties; and
 WHEREAS, the Company and the Individual desire to amend the Separation Agreement in accordance with this Amendment to clarify the Individual's forfeiture of unvested equity awards and to accelerate the Individual's forfeiture of vested stock options;

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the parties hereto agree as follows:

1. The introductory paragraph and immediately following chart to Section 4 of the Separation Agreement are hereby amended and restated in their entirety to read as follows:

Form of Compensation	Amount	Payment Date
Base Salary	Before the Step-Down Date, \$27,730.77 per pay period payable and, following the Step-Down Date, the amount of the prorated Base Salary provided for above per pay period payable through the Separation Date.	On the pay periods during the Transition Period, and then final payment on or within six days after the Separation Date.
Accrued Unused Paid Time Off (PTO)	\$55,459.65 (estimated) payable through Separation Date.	On or within six days after the Separation Date.
2019 Performance Bonus	\$240,000.00 payable for 2019 performance as of September 1, 2019. However, the Company shall recalculate the bonus on the earlier of (1) December 31, 2019 and (2) the Separation Date.	On or within six days after the Separation Date if the Separation Date is after December 31, 2019, but within 10 days following the six-month anniversary of the Separation Date if the Separation Date is before January 1, 2020.
Deferred Compensation	\$567,886.98 (estimated) payable through Separation Date.	According to the Individual's distribution election but not sooner than six months following the Separation Date.
Reimbursement of Attorneys' Fees	Up to \$20,000.00 for reasonable attorneys' fees incurred in reviewing this Agreement.	Within 30 days after submission of appropriate substantiating documentation.

2. Section 4.e. of the Separation Agreement is hereby amended and restated in its entirety to read as follows:

e. Reimbursement of Attorneys' Fees. To assist the Individual in his review of this Agreement, the Company shall, within 30 days after submission of appropriate substantiating documentation (which shall be submitted within 30 days following the Separation Date), reimburse him for reasonable attorneys' fees up to \$26,000.00 incurred by him in consultations related to this Agreement.

3. Section 4.f. of the Separation Agreement is hereby amended and restated in its entirety to read as follows:

f. Equity Awards. The Individual acknowledges receiving the following equity incentive awards from the Company (the "Equity Awards"), which remain outstanding immediately prior to the Effective Date, subject to the terms and conditions of the corresponding award agreements described below (together, the "Award Agreements"):

Equity Award	Shares Subject to Award	Vested/Unvested Shares	Award Agreement
Timed-Based Stock Options (" <u>TBSOs</u> ")	100,368	100,368/0	Time-Based Stock Option Award Agreement effective as of December 23, 2016 (the " <u>2016 TBSO Award Agreement</u> ")
Performance-Based Stock Options (" <u>PBSOs</u> ")	100,368	66,845/33,523	Performance-Based Stock Option Award Agreement effective as of February 22, 2017 (the " <u>2017 PBSO Award Agreement</u> ")
Performance-Based Restricted Stock Units	250,920	167,280/83,640	Performance-Based Restricted Stock Unit Award Agreement effective as of February 22, 2017 (the " <u>2017 PBRSU Award Agreement</u> ")
Performance-Based Restricted Stock Units (collectively " <u>PBRsUs</u> ")	44,615	0/44,615	Performance-Based Restricted Stock Unit Award Agreement effective as of February 8, 2018 (the " <u>2018 PBRSU Award Agreement</u> ")
Time-Based Restricted Stock Units (" <u>TBRsUs</u> ")	44,615	14,872/29,743	Time-Based Restricted Stock Unit Award Agreement effective as of February 8, 2018 (the " <u>2018 TBRsU Award Agreement</u> ")
Time Vesting Restricted Stock (" <u>TVRS</u> ")	115,905	0/115,905	Restricted Stock Award Agreement (Time Vesting) effective as of May 15, 2019 (the " <u>2019 TVRS Award Agreement</u> ")
Performance-Based Phantom Shares (" <u>PBPSs</u> ")	231,810	0/231,810	Performance-Based Phantom Share Award Agreement effective as of May 15, 2019 (the " <u>2019 PBPS Award Agreement</u> ")
Time-Based Phantom Shares (" <u>TBPSs</u> ")	115,905	0/115,905	Time-Based Phantom Share Award Agreement effective as of May 15, 2019 (the " <u>2019 TBPS Award Agreement</u> ")

The TBSOs, PBSOs, PBRsUs and TBRsUs are subject to the terms and conditions of the applicable Award Agreements and the Basic Energy Services, Inc. Management Incentive Plan adopted by the Company effective as of December 23, 2016 (the "MIP"). The PBPSs, TBPSs and TVRS are subject to the terms and conditions of the applicable Award Agreements and the Basic Energy Services, Inc. 2019 Long Term Incentive Plan adopted by the Company effective as of May 14, 2019 (the "LTIP"). The Individual acknowledges and agrees that, except as otherwise provided herein, his right to any part of the Equity Awards, whether vested or unvested, shall continue to be governed by the applicable Award Agreements and the MIP or LTIP, as applicable.

The Individual acknowledges and agrees that as a result of his mutually agreed upon voluntary resignation all Equity Awards to the extent unvested immediately prior to the Effective Date shall be forfeited as of the Effective Date. The Individual acknowledges and agrees that all PBRsUs and TBRsUs which vested prior to the Effective Date have been settled in full. The Individual acknowledges and agrees that all PBSOs and TBSOs which vested prior to the Amendment Effective Date shall be forfeited as of the Amendment Effective Date. Notwithstanding any provision of this Agreement or any Award Agreement to the contrary, the Individual acknowledges and agrees that no Equity Award will vest on or before the Effective Date to a greater extent than reflected in the above table.

By signing below, the Individual also acknowledges and agrees that he has no rights in any equity or equity-related interests in the Company or its affiliates other than the Equity Awards described above and any stock of the Company owned by the Individual as of the Separation Date either in his capacity as an investor of the Company or as a result of such stock being granted by the Company to him in connection with his employment and vested as of the Separation Date.

Finally, the parties acknowledge and agree that all of their post-termination rights and obligations which continue by their terms under the Award Agreements, including without limitation under Sections 8 (Restrictive Covenant) and 9 (Miscellaneous) of the 2019 PBPS Award Agreement; Sections 6 (Restrictive Covenant) and 7 (Miscellaneous) of the 2019 TBPS Award Agreement; Sections 8 (Restrictive Covenant) and 9 (Miscellaneous) of the 2018 PBRUS Award Agreement; and Sections 6 (Restrictive Covenant) and 7 (Miscellaneous) of the 2018 TBRSU Award Agreement, shall constitute part of the Continuing Obligations for purposes of this Agreement and therefore shall continue in full force and effect according to their terms notwithstanding the termination of the Individual's employment with the Company, the termination of the Employment Agreement, or the execution of this Agreement.

4. Except as otherwise specifically set forth herein, all other terms and conditions of the Separation Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Individual has executed the Amendment and the Company has caused this Amendment to be executed in its name and on its behalf by its duly authorized officer, to be effective as of the Amendment Effective Date.

[Signature Page Follows]

INDIVIDUAL:

BY: /s/Thomas Monroe Patterson
NAME: Thomas Monroe Patterson

COMPANY:

BY: /s/Eric Lannen
NAME: Eric Lannen
Title: Vice President, Human Resources
Date: October 25, 2019

This **SUPPLEMENT NO. 1** dated as of July 23, 2019 (this "Supplement"), is delivered in connection with (a) the Security Agreement dated as of October 2, 2018 (as amended, restated or otherwise modified from time to time, the "Security Agreement"), among Basic Energy Services, Inc., a Delaware corporation (the "Borrower"), certain subsidiaries of the Borrower (such subsidiaries together with the Borrower, the "Debtors") and Bank of America, N.A. ("Bank of America"), as administrative agent (in such capacity, the "Administrative Agent") for the benefit of the holders of the Secured Obligations (as defined therein) and (b) the Guaranty dated as of October 2, 2018 (as amended, restated or otherwise modified from time to time, the "Guaranty") made by the Debtors other than the Borrower (the "Guarantors") for the benefit of the Administrative Agent and the Lenders.

Reference is made to the ABL Credit Agreement dated as of October 2, 2018 (as amended, restated or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, the lenders from time to time party thereto (the "Lenders") and the Administrative Agent. Pursuant to the Guaranty, the Guarantors have agreed to guarantee, among other things, the full payment and performance of all of the Borrower's obligations under the Credit Agreement.

The Debtors have entered into the Security Agreement and the Guarantors have entered into the Guaranty as a condition precedent to the effectiveness of the Credit Agreement or the amendment thereof. Section 7.12 of the Security Agreement and Section 19 of the Guaranty provide that additional Subsidiaries of the Borrower may become Debtors under the Security Agreement and Guarantors under the Guaranty by execution and delivery of an instrument in the form of this Supplement. Each of the undersigned Subsidiaries (each a "New Debtor" and collectively the "New Debtors") is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Debtor under the Security Agreement and a Guarantor under the Guaranty.

Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Security Agreement, the Guaranty, and the Credit Agreement.

Accordingly, the Administrative Agent and each New Debtor agree as follows:

SECTION 1. In accordance with Section 7.12 of the Security Agreement, each New Debtor by its signature below becomes a Debtor under the Security Agreement with the same force and effect as if originally named therein as a Debtor, and each New Debtor hereby (a) agrees to all the terms and provisions of the Security Agreement applicable to it as a Debtor thereunder and (b) represents and warrants that the representations and warranties made by it as a Debtor thereunder are true and correct in all material respects on and as of the date hereof. The Schedules to the Security Agreement are hereby supplemented by the Schedules attached hereto with respect to each New Debtor. In furtherance of the foregoing, each New Debtor, as security for the payment and performance in full of the Secured Obligations (as defined in the Security Agreement), does hereby create and grant to the Administrative Agent, for the benefit of the holders of the Secured Obligations, a security interest in and lien on all of such New Debtor's right, title and interest in and to the Collateral of such New Debtor. Each reference to a "Debtor" in the Security Agreement shall be deemed to include the New Debtors.

SECTION 2. In accordance with Section 19 of the Guaranty, each New Debtor by its signature below becomes a Guarantor under the Guaranty with the same force and effect as if originally named therein as a Guarantor, and each New Debtor hereby (a) agrees to all the terms and provisions of the Guaranty applicable to it as a Guarantor thereunder and (b) represents and warrants that the representations and warranties made by it as a Guarantor thereunder are true and correct on and as of the date hereof. Each reference to a "Guarantor" in the Guaranty shall be deemed to include the New Debtors.

SECTION 3. Each New Debtor represents and warrants to the Administrative Agent that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

SECTION 4. This Supplement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

SECTION 5. Except as expressly supplemented hereby, the Security Agreement and the Guaranty shall remain in full force and effect.

SECTION 6. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND INTERPRETED AND CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY, THE LAW OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION.

SECTION 7. All communications and notices to any New Debtor under the Security Agreement or the Guaranty shall be in writing and given as provided in Section 7.2 of the Security Agreement to the address for such New Debtor set forth under its signature below.

SECTION 8. Each New Debtor agrees to reimburse the Administrative Agent for its reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees, other charges and disbursements of counsel for the Administrative Agent.

IN WITNESS WHEREOF, each New Debtor and the Administrative Agent have duly executed this Supplement to the Security Agreement as the day and year first above written.

AGUA LIBRE HOLDCO LLC, a Delaware limited liability company.
BY: /s/T. M. "Roe" Patterson
NAME: T. M. "Roe" Patterson
Title: President and Chief Executive Officer
Address: 801 Cherry street, Suite 2100, Fort Worth, TX 76102

AGUA LIBRE ASSET CO LLC, as a Debtor limited liability company.
BY: /s/T. M. "Roe" Patterson
NAME: T. M. "Roe" Patterson
Title: President and Chief Executive Officer
Address: 801 Cherry street, Suite 2100, Fort Worth, TX 76102

AGUA LIBRE MIDSTREAM LLC, a Delaware limited liability company.
BY: /s/T. M. "Roe" Patterson
NAME: T. M. "Roe" Patterson
Title: President and Chief Executive Officer
Address: 801 Cherry street, Suite 2100, Fort Worth, TX 76102

BANK OF AMERICA. N.A., as Administrative Agent
BY: /s/Tanner Pump
NAME: Tanner Pump
Title: Senior Vice President

SCHEDULE 3.3
ORGANIZATION & LOCATION INFORMATION

Debtor	Jurisdiction & Type of Organization	Organizational ID#	Chief Executive Office, Sole Place of Business or Principal Residence
Agua Libre Holdco LLC	Delaware limited liability company	7461954	801 Cherry Street, Suite 2100, Fort Worth, TX 76102
Agua Libre Asset Co LLC	Delaware limited liability company	7461956	801 Cherry Street, Suite 2100, Fort Worth, TX 76102
Agua Libre Midstream LLC	Delaware limited liability company	7461947	801 Cherry Street, Suite 2100, Fort Worth, TX 76102

SCHEDULE 3.4
CERTAIN COLLATERAL

Nothing to disclose.

SCHEDULE 3.5
PLEGDED INSTRUMENTS

Nothing to disclose.

SCHEDULE 3.7
BANK ACCOUNTS

Nothing to disclose.

SUPPLEMENT NO. 1 TO SECURITY AGREEMENT

SUPPLEMENT NO. 1 dated as of August 22, 2019 (this "Supplement"), to the Security Agreement dated as of October 2, 2018 (as amended, restated, supplemented, waived or otherwise modified from time to time, the "Security Agreement"), among Basic Energy Services, Inc., a Delaware corporation (the "Issuer") and its subsidiaries from time to time party thereto (together with the Issuer collectively being the "Debtors") and UMB Bank, N.A., in its capacity as collateral agent (in such capacity and any successor in such capacity, the "Collateral Agent") for the benefit of the holders of the Secured Obligations.

A. Reference is made to (i) the Indenture dated as of October 2, 2018, (as amended, restated, supplemented, waived or otherwise modified from time to time, the "Indenture"), among the Issuer, the other Debtors and UMB Bank, N.A., as trustee (in such capacity, the "Trustee") and collateral agent and (ii) the First Supplemental Indenture dated as of August 22, 2019 entered into by the undersigned Restricted Subsidiaries (each, a "New Subsidiary" and collectively, the "New Subsidiaries") as required by Section 3.11 of the Indenture.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Indenture and the Security Agreement as the context requires.

C. The Debtors have entered into the Security Agreement pursuant to the requirements of the Indenture. Section 7.11 of the Security Agreement provides that each Restricted Subsidiary of the Issuer that is required to become a Debtor may become a Debtor under the Security Agreement by execution and delivery of an instrument in the form of a supplement to the Security Agreement. Each of the New Subsidiaries is executing this Supplement in accordance with the requirements of the Indenture to become a Debtor under the Security Agreement as required under the Indenture.

Accordingly, the Collateral Agent and each of the New Subsidiaries agree as follows:

SECTION 1. In accordance with Section 7.11 of the Security Agreement, each New Subsidiary by its signature below becomes a Debtor under the Security Agreement and agrees to be bound by all terms, covenants and conditions thereunder with the same force and effect as if originally named therein as a Debtor and such New Subsidiary hereby (a) agrees to all the terms, covenants and provisions of the Security Agreement applicable to it as a Debtor thereunder and (b) represents and warrants that (i) with respect to representations and warranties made by it under the Security Agreement that are not qualified by materiality, such representations and warranties are true and correct in all material respects, and (ii) with respect to the representations and warranties made by it under the Security Agreement that are qualified by materiality, such representations and warranties are true and correct in all respects, in each case, on and as of the date hereof. In furtherance of the foregoing, each New Subsidiary, as security for the payment and performance in full of the Secured Obligations, does hereby grant to the Collateral Agent, for the benefit of the holders of the Secured Obligations, a security interest in all such New Subsidiary's right, title and interest in and to the Collateral of such New Subsidiary and expressly assumes all obligations and liabilities of a Debtor under the Security Agreement. Each reference to a "Debtor" or "Debtors" in the Security Agreement shall be deemed to include the New Subsidiaries. The Security Agreement is hereby incorporated herein by reference.

SECTION 2. Each New Subsidiary represents and warrants to the Collateral Agent and the holders of the Secured Obligations that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance or other similar laws affecting creditors' rights generally, (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (iii) implied covenants of good faith and fair dealing.

SECTION 3. This Supplement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract. This Supplement shall become effective when (a) the Collateral Agent shall have received a counterpart of this Supplement that bears the signature of each of the New Subsidiaries and (b) the Collateral Agent has executed a counterpart hereof. The exchange of copies of this Supplement and of signature pages thereof by facsimile or PDF transmission shall constitute effective execution and delivery of this instrument as to the parties hereto and may be used in lieu of the original instrument for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

SECTION 4. Each New Subsidiary hereby represents and warrants that (a) set forth on Schedule I attached hereto, and hereby added to Schedule 3.3(a) to the Security Agreement, is such New Subsidiary's

jurisdiction of organization, type of legal entity, organizational identification number from the jurisdiction of organization (if any), and the location of such New Subsidiary's chief executive office or sole place of business or principal residence, as the case may be, as of the date hereof, (b) Schedule II attached hereto, and hereby added to Schedule 3.3(b) to the Security Agreement, is the address of such New Subsidiary, as of the date hereof, where all notices, requests and demands made in writing shall be delivered, (c) set forth on Schedule III attached hereto, and hereby added to Schedule 3.4 to the Security Agreement, is a true and correct schedule of all Commercial Tort Claims, all Patents, Trademarks or Copyrights, all Intellectual Property that is registered or for which an application has been filed in the United States Patent and Trademark Office or the United States Copyright Office and all vessels or aircraft of such New Subsidiary as of the date hereof, (d) such New Subsidiary is the legal and beneficial owner of the Pledged Equity set forth on Schedule IV attached hereto and hereby added to Schedule 3.5(a) to the Security Agreement, and except as set forth on Schedule IV and hereby added to Schedule 3.5(a) to the Security Agreement, on the date hereof, the Pledged Equity constitutes all of the issued and outstanding shares of stock or other equity interests of each of the respective issuers thereof and no such issuer has any obligation to issue any additional shares of stock or other equity interests or rights or options thereto, (e) Schedule V attached hereto, and hereby added to Schedule 3.5(c) to the Security Agreement, is a list of all of the Instruments issued to or held by such New Subsidiary as of the date hereof, and (f) set forth on Schedule VI attached hereto, and hereby added to Schedule 3.6 to the Security Agreement, is a true and complete list of all Intellectual Property necessary for the conduct of such New Subsidiary's business as currently conducted that is owned by such New Subsidiary in its own name on the date hereof by such New Subsidiary, such Intellectual Property is valid, subsisting, unexpired and enforceable, has not been abandoned and does not infringe the intellectual property rights of any other Person in any material respect, and except as set forth on Schedule VI, and hereby added to Schedule 3.6 to the Security Agreement, none of such Intellectual Property is the subject of any licensing or franchise agreement pursuant to which such New Subsidiary is the licensor or franchisor.

SECTION 5. Except as expressly supplemented hereby, the Security Agreement shall remain in full force and effect.

SECTION 6. THIS SUPPLEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS SUPPLEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

SECTION 7. In the event any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Security Agreement shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8. All communications and notices hereunder shall be in writing and given as provided in Section 7.02 of the Security Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, each New Subsidiary and the Collateral Agent have duly executed this Supplement to the Security Agreement as the day and year first above written.

NEW SUBSIDIARIES:

AGUA LIBRE HOLDCO LLC, as a Debtor
BY: /s/David S. Schorlemer
NAME: David S. Schorlemer
Title: Chief Financial Officer

AGUA LIBRE ASSET CO LLC, as a Debtor
BY: /s/David S. Schorlemer
NAME: David S. Schorlemer
Title: Chief Financial Officer

AGUA LIBRE MIDSTREAM LLC, as a Debtor
BY: /s/David S. Schorlemer
NAME: David S. Schorlemer
Title: Chief Financial Officer

UMB Bank, N.A., as a Collateral Agent
BY: /s/Shazia Flores
NAME: Shazia Flores
Title: Vice President

SCHEDULE I
ORGANIZATION & LOCATION INFORMATION

Debtor	Jurisdiction & Type of Organization	Organizational ID#	Chief Executive Office, Sole Place of Business or Principal Residence
Agua Libre Holdco LLC	Delaware limited liability company	7461954	801 Cherry Street, Suite 2100, Fort Worth, TX 76102
Agua Libre Asset Co LLC	Delaware limited liability company	7461956	801 Cherry Street, Suite 2100, Fort Worth, TX 76102
Agua Libre Midstream LLC	Delaware limited liability company	7461947	801 Cherry Street, Suite 2100, Fort Worth, TX 76102

SCHEDULE II
NOTICE INFORMATION

Debtor	Notice Information
Agua Libre Holdco LLC	801 Cherry Street, Suite 2100, Fort Worth, TX 76102 Attention: T.M. "Roe" Patterson
Agua Libre Asset Co LLC	Telephone: (432) 620-5500 Telecopier: (432) 620-5501
Agua Libre Midstream LLC	Electronic Mail: Roe.Patterson@basicenergyservices.com

**SCHEDULE III
CERTAIN COLLATERAL**

PATENTS/TRADEMARKS

Schedule VI to this Supplement is incorporated herein as if fully set forth herein.

**SCHEDULE IV
PLEDGED EQUITY**

Pledgor	Pledged Entity	Certificate #	Number & Type of Shares	Percentage of Shares
Agua Libre Holdco LLC	Agua Libre Asset Co LLC	*	Membership interest	100%
Agua Libre Holdco LLC	Agua Libre Midstream LLC	*	Membership interest	100%
Basic Energy Services, L.P.	Agua Libre Holdco LLC	*	Membership interest	100%

*The membership interest in each of the entities are not currently represented by certificates issues to the membership interest owner

**SCHEDULE V
INSTRUMENTS**

[None.]

SCHEDULE VI
INTELLECTUAL PROPERTY

Copyrights: None.

Copyright Licenses: None.

Trademarks: None.

Trademark Licenses: None.

Patents: None.

Patent Licenses: None.

**CERTIFICATION BY CHIEF EXECUTIVE OFFICER PURSUANT TO
RULE 13a-14(a) AND 15d-14(a) UNDER THE EXCHANGE ACT**

I, T. M. "Roe" Patterson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Basic Energy Services, Inc.;
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.

Date: November 1, 2019

/s/ T. M. "Roe" Patterson

T. M. "Roe" Patterson
Chief Executive Officer

**CERTIFICATION BY CHIEF FINANCIAL OFFICER PURSUANT TO
RULE 13a-14(a) AND 15d-14(a) UNDER THE EXCHANGE ACT**

I, David S. Schorlemer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Basic Energy Services, Inc.;
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.

Date: November 1, 2019

/s/ David S. Schorlemer

David S. Schorlemer
Chief Financial Officer

**CERTIFICATION BY 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 of Basic Energy Services, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, T. M. "Roe" Patterson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

- (1)The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ T. M. "Roe" Patterson

T. M. "Roe" Patterson

Chief Executive Officer

November 1, 2019

**CERTIFICATION BY 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 of Basic Energy Services, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2019 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, to my knowledge, that:

- (1)The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David S. Schorlemer

David S. Schorlemer
Chief Financial Officer

November 1, 2019