2017 ANNUAL REPORT

NYSE American: SDPI

Superior Drilling Products, Inc. is an innovative, cutting-edge drilling tool technology company providing cost saving solutions that drive production efficiencies for the oil and natural gas drilling industry. We design, manufacture, repair, and sell drilling tools. Our drilling solutions include the patented Drill-N-Ream® well bore conditioning tool and the patented Strider™ oscillation system technology. In addition, we are a manufacturer and refurbisher of PDC (polycrystalline diamond compact) drill bits for a leading oil field services company. We operate a state-of-the-art drill tool fabrication facility, where we manufacture our solutions for the drilling industry, as well as customers' custom products.

Our strategy for growth is to leverage our expertise in drill tool technology and innovative, precision machining in order to broaden our product offerings and solutions for the oil and gas industry.

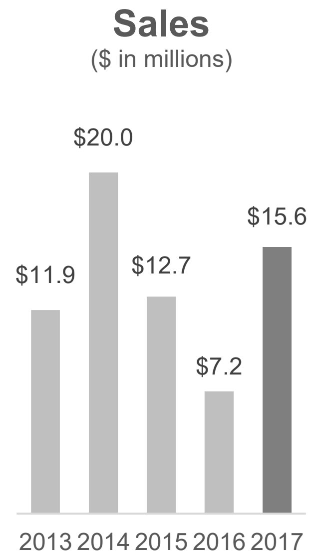
Selected Financial Data

(in thousands, except per share data)	*Year Ended December 31,*		
	2017	***2016***	***2015***
Revenue	$ 15,596	$ 7,153	$ 12,706
Cost of revenue	5,960	4,492	6,618
Selling, general and administrative	5,734	5,776	7,014
Depreciation and amortization	3,677	4,291	4,819
Impairment of property, plant and equipment-held for sale	-	840	-
Impairment of Goodwill	-	-	7,802
Operating (loss) income	225	(8,246)	(13,547)
Operating margin	*1.4%*	*(115.3)%*	*(106.6)%*
Net loss	$ (279)	$ (9,129)	$ (14,456)
Weighted average loss per share - diluted	$ (0.01)	$ (0.48)	$ (0.83)
Weighted average shares outstanding - diluted	24,268	19,156	17,347
Cash	$ 2,375	$ 2,242	$ 1,297
Accounts receivable	2,667	1,039	1,861
Total assets	28,676	32,989	38,746
Total debt	12,808	16,684	20,241
Total liabilities	14,373	19,020	22,571
Total stockholders' equity	$ 14,303	$ 13,969	$ 16,175

Dear Fellow Shareholders,

We delivered a solid year in 2017, which we believe validates our technologies and capabilities to grow Superior Drilling Products. Sales in 2017 more than doubled to $15.6 million from $7.2 million in 2016, increasing by $8.4 million. Our growth was driven by tool revenue, which nearly doubled to $10.5 million, primarily as a result of higher royalty, maintenance and repair fees, which grew from $0.6 million in 2016 to $3.9 million. This was a direct result of the increase in the deployed fleet of our flagship Drill-N-Ream® (DnR) well bore conditioning tool.

By the end of 2017, we achieved just under 12.5% market share, even as the horizontal oil & gas rig count in the U.S. and Canada increased 38% to 929. During the year, the DnR also solidified its value in the vertical and curve portions of the well bore, expanding beyond its original application in the lateral on horizontal rigs. Our market share is based on the number of horizontal drill rigs and does not account for the use of multiple tools per well. So, we are increasing the number of tools per well, even as we grow the number of drill rigs on which the DnR is deployed.



While sales more than doubled, operating expenses increased only 5.5% in 2017, a testament to our efforts to improve the cost structure and the inherent operating leverage of our business model. Of significance, our manufacturing expertise and strong team enabled us to seamlessly manage substantial volume increases to deliver these results. And, this drove positive operating income for the year.

Revenue growth, productivity and disciplined cost management enabled us to generate enough cash to decrease our total debt by over 23% to $12.8 million and end the year with $2.4 million in cash.

Geographic Expansion

Through our distribution partner, we are making great progress in the U.S. and Canada with the objective of reaching our market share goal of 17.5% in 2018.

In December of 2017, we announced that we have partnered with Weatherford U.S., L.P. to launch a joint market development program in the Middle East. We have had tools down hole in Kuwait and Saudi Arabia, and expect to soon be down hole in Oman. Customer response has been positive and we believe the DnR is demonstrating its worth in broader market conditions, more than doubling the size of our addressable market. The Middle East market is requiring larger tools to meet their requirements, creating greater revenue per tool potential as well. Given the success thus far, we are extending the development agreement with Weatherford through the end of 2018. While there will not be any significant revenue during the development phase, we expect to have our go-to-market strategy and support structure established by the time we are entering 2019.

We also recently announced that we have extended our drill bit refurbishment services relationship with Baker Hughes, which expanded our service area beyond our previously contracted regions to now encompass the entire U.S. and Canada. Under the new agreement, a minimum base volume was established and we agreed to continue to provide this service to Baker Hughes exclusively. We believe our reputation for providing high quality, on-time support led to the deepening of this relationship and is a direct result of our talented and committed workforce.

Product Expansion

Our Strider™ oscillation system technology has been making excellent progress. Our technology has been deployed with several major operators in a variety of basins. Feedback has been encouraging. We believe the Strider™ technology is superior to current tools, typically agitators, and has a market penetration potential similar to the DnR.

We are in the field test stages of the Strider™ roll-out, and field run test results have demonstrated the performance capabilities of our technology. We will continue collecting data from field runs as we work to find distribution partners to define our go-to-market strategy for our Strider™ technology products.

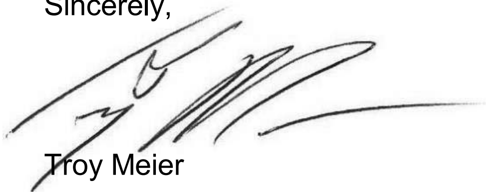
Strong 2018 Outlook

Our mission is to provide products and technologies that enable faster, more cost efficient and productive drilling for the oil & gas industry. The global competition in this industry impels operators to continually seek innovative technologies that will increase speed and reduce production costs. The DnR is demonstrating its ability to address these objectives and that the tool deserves to be on every well. We also expect the Strider technology to prove itself as valuable. Importantly, we believe that our connection to the operators, depth of knowledge of drilling techniques and our manufacturing expertise positions us well to continue to innovate and introduce more solutions for the industry.

For 2018, we expect revenue to be between $18 million and $22 million, which represents a 28% increase over 2017 at the midpoint of this guidance. We also expect operating margin to expand to a range of 5% and 10%.

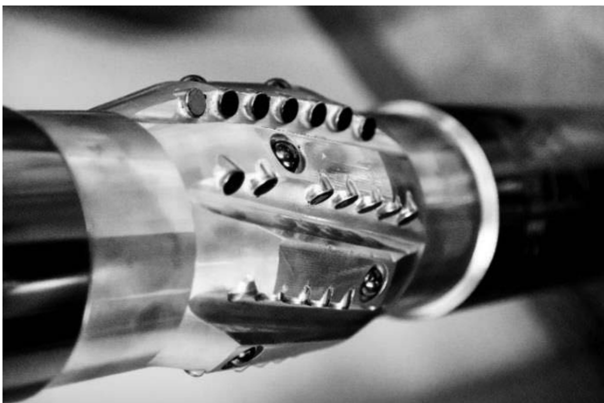
These are exciting times for Superior Drilling Products. We believe that our seasoned management team, research and development capabilities, early-stage game-changing technologies, go-to-market strategies and new product pipeline all contribute to excellent future potential. We hope you share in our excitement.

Sincerely,

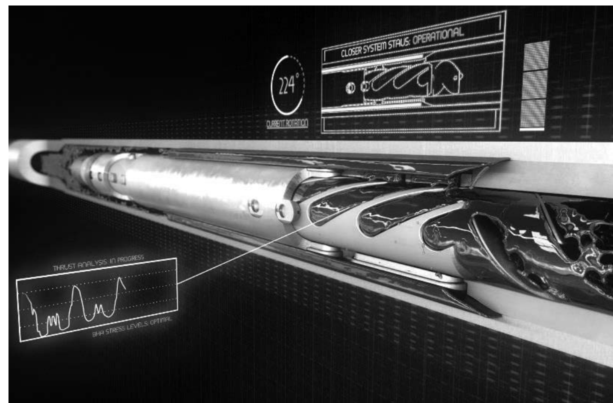


Troy Meier
Chairman and Chief Executive Officer

June 8, 2018



Drill-N-Ream®



Strider™

SEC FORM 10-K

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2017

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from ___________ to ___________

Commission File Number 001-36453

SUPERIOR DRILLING PRODUCTS, INC.
(Name of registrant as specified in its charter)

Utah (State or other jurisdiction of incorporation or organization)	**46-4341605** (I.R.S. Employer Identification No.)
1583 South 1700 East **Vernal, Utah** (Address of Principal Executive Offices)	**84078** (Zip Code)

Issuer's Telephone Number: **435-789-0594**

Securities Registered Pursuant to Section 12(b) of the Exchange Act:

Title of each class:	Name of each exchange on which registered:
Common Stock, $0.001 par value	NYSE MKT

Securities Registered Pursuant to Section 12(g) of the Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. [ ] Yes [X] No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange. [ ] Yes [X] No

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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. [X] Yes [ ] No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). [X] Yes [ ] No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer (Do not check if a smaller reporting company) [ ]	Smaller reporting company [X] Emerging growth company [X]

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 Act). [ ] Yes [X] No

The registrant had issued and outstanding 24,535,139 shares of its common stock on March 15, 2018.

Documents incorporated by reference: NONE.

SUPERIOR DRILLING PRODUCTS, INC.
FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2017

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes certain statements that may be deemed to be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Statements contained in all parts of this document that are not historical facts are forward-looking statements that involve risks and uncertainties that are beyond the control of Superior Drilling Products, Inc. (the "Company" or "SDPI"). You can identify the Company's forward-looking statements by the words "anticipate," "estimate," "expect," "may," "project," "believe" and similar expressions, or by the Company's discussion of strategies or trends. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurances can be given that these expectations will prove to be correct. The forward-looking statements contained in or incorporated by reference into this Form 10-K are largely based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control, including:

- the volatility of oil and natural gas prices;
- the cyclical nature of the oil and gas industry;
- availability of financing, flexibility in restructuring existing debt and access to capital markets;
- consolidation within our customers' industries;
- competitive products and pricing pressures;
- our reliance on significant customers;
- our limited operating history;
- our ability to develop and commercialize new and/or innovative drilling and completion tool technologies;
- fluctuations in our operating results;
- our dependence on key personnel;
- costs of raw materials;
- our dependence on third party suppliers;
- unforeseen risks in our manufacturing processes;
- the need for skilled workers;
- our ability to successfully manage our growth strategy;
- unanticipated risks associated with, and our ability to integrate, acquisitions;
- current and potential governmental regulatory actions in the United States and regulatory actions and political unrest in other countries;
- terrorist threats or acts, war and civil disturbances;
- our ability to protect our intellectual property;
- impact of environmental matters, including future environmental regulations;
- implementing and complying with safety policies;
- breaches of security in our information systems and other cybersecurity risks;
- related party transactions with our founders; and
- risks associated with our common stock.

Many of these factors are beyond our ability to control or predict. These factors are not intended to represent a complete list of the general or specific factors that may affect us.

In addition, management's assumptions about future events may prove to be inaccurate. All readers are cautioned that the forward-looking statements contained in this Annual Report on Form 10-K are not guarantees of future performance, and we cannot assure any reader that such statements will be realized or that the forward-looking events and circumstances will occur. Actual results may differ materially from those anticipated or implied in the forward-looking statements due to factors described in "Item 1A. Risk Factors" included elsewhere in this prospectus and in the documents that we include as exhibits to this Annual Report, and our subsequent SEC filings. All forward-looking statements speak only as of the date they are made. We do not intend to update or revise any forward-looking statements as a result of new information, future events or otherwise, except as required by law. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

PART I

ITEM 1. BUSINESS

Nature of Operations

Superior Drilling Products, Inc. (the "Company", "SDPI", "we", "our" or "us") is an innovative drilling and completion tool technology company providing cost saving solutions that drive production efficiencies for the oil and natural gas drilling and completions industry. Our headquarters and manufacturing operations are located in Vernal, Utah. The Company innovates, designs, engineers, manufactures, sells, and repairs drilling and completion tools. We design and manufacture new drill bit and horizontal drill string enhancement tools and refurbish PDC (polycrystalline diamond compact) drill bits for the oil, natural gas and mining services industry. Our customers are primarily service companies that support companies engaged in domestic and international exploration and production of oil and natural gas.

We were incorporated on December 10, 2013 under the name SD Company, Inc. in order to facilitate (a) the reorganization of the entities that are now our consolidated subsidiaries and (b) the subsequent acquisition of Hard Rock Solutions, LLC ("HR"). We changed our name from SD Company Inc. to Superior Drilling Products, Inc. on May 22, 2014 in conjunction with closing of that reorganization and our initial public offering, which occurred on May 23, 2014 ("Offering" or "IPO"). Our corporate headquarters and manufacturing operations are located in Vernal, Utah. Our common stock trades on the NYSE MKT exchange under the ticker symbol "SDPI".

Our subsidiaries include (a) Superior Drilling Solutions, LLC (previously known as Superior Drilling Products, LLC), a Utah limited liability company ("SDS"), together with its wholly owned subsidiary Superior Design and Fabrication, LLC, a Utah limited liability company ("SDF"), (b) Extreme Technologies, LLC, a Utah limited liability company ("ET"), (c) Meier Properties Series, LLC, a Utah limited liability company ("MPS"), (d) Meier Leasing, LLC, a Utah limited liability company ("ML"), and (e) HR.

We currently have three basic operations:

- Our PDC drill bit and other tool refurbishing and manufacturing service,
- Our emerging technologies business that manufactures the Drill-N-Ream tool, our innovative drill string enhancement tool, the Strider technology and other tools
- Our new product development business that conducts our research and development, and designs our horizontal drill string enhancement tools, other down-hole drilling technologies, and drilling tool manufacturing technologies.

Our Company

Our strategy for growth is to leverage its expertise in drill tool technology and precision machining in order to broaden our product offerings and solutions for the oil and gas industry. We believe through our patented technologies, as well as technologies under development, that we can offer the industry the solutions it demands to improve drilling efficiencies and reduce production costs.

Our co-founder, Troy Meier, developed the first commercially-viable process for refurbishing PDC drill bits after a successful 13-year career with a predecessor of Baker Hughes Inc. He was also co-inventor of the patented Drill-N-Ream® well bore conditioning tool ("Drill-N-Ream tool" or "DnR"). We used the proceeds from our IPO to acquire the remaining rights to the tool. While our initial strategy after the acquisition was to be a rental tool company, we made a major strategic shift in 2016 to focus on our core competencies of innovation in manufacturing technologies, creation of solution for the upstream oil and gas industry, drilling tool fleet maintenance and repair and the development engineering and manufacture of new tools and technologies.

For the past 22 years, we have manufactured and refurbished PDC drill bits exclusively for Baker Hughes's oilfield operations in the Rocky Mountain, California and Alaska regions, as well as other areas as needed to support their internal operations. We have extended our long-standing contract with Baker Hughes until March 31, 2018 in order to ensure there is no disruption of service while we negotiate new terms that broaden our relationship with them.

We have been expanding our offerings and broadening our customer base and the end-users of our technologies by demonstrating our engineering, design and manufacturing expertise of down-hole drilling tools. In addition to the patented Drill-N-Ream tool, our products include the patented Strider™ Drill String Oscillation System technology ("Strider technology") which is applied to the Open Hole Strider tool ("OHS") and the CTS (coiled tubing strider), the V-Stream Advanced Conditioning System and the Dedicated Reamer Stinger. We are also developing a suite of other horizontal drill string tools, each of which addresses a different technical challenge presented by today's horizontal drilling designs. In addition, we work with our customers to develop new products and enhancements to existing products in order to improve efficiency and safety and solve complex drilling tool problems.

We manufacture our solutions, as well as custom products, in our state-of-the-art drill tool fabrication facility where we operate a technologically-advanced PDC drill bit refurbishing facility, as well as a state-of-the-art, high-tech drilling and completion tool engineering design and manufacturing operation. We manufacture our drill string enhancement tools, including the patented Drill- N-Ream tool and the patented Strider technology, and conduct our new product research and development from this facility.

We employ a senior work force with specialized training and extensive experience related to drill bit refurbishing and drill and completion tool manufacturing. They produce our products and services using a suite of highly technical, purpose-built equipment, much of which we design and manufacture for our proprietary use. Our manufacturing equipment and products use advanced technologies that enable us to increase efficiency, enhance product integrity, improve efficiency and safety, and solve complex drilling tool problems.

In May 2016, the Company entered into an agreement with Drilling Tools International ("DTI"), under which DTI had a requirement to purchase our Drill-N-Ream tool for their rental tool business and achieve market share requirements in order to maintain exclusive marketing rights for the Drill-N-Ream. This agreement began the shift of our business model from a rental tool company to a manufacturer that designs, builds and sells tools. DTI, has exclusive rights to market the Drill-N-Ream in the U.S. and Canada, both onshore and offshore. It must achieve defined market share goals with our tool that started in June 2017 and increase through the end of 2020. We receive revenue from DTI for tool sales, tool repairs and a royalty fee based on the tools usage.

In 2016, the Company entered into a non-exclusive agreement with Baker Hughes to supply them with the Strider technology with our open Hole Strider tool and related services. Tool shipments under the agreement are expected to begin mid-2018. The agreement has no set expiration date or minimum shipment requirement. It will remain in force until it is canceled by either us or Baker Hughes, as stipulated in the agreement. The Company's current agreement with Baker Hughes regarding drill bit refurbishment has been extended until March 31, 2018. The Company is currently negotiating new terms for a replacement agreement with the intent to broaden the relationship with Baker Hughes and not have any disruption in operations or production.

In December 2017, the Company entered into an agreement with Weatherford U.S., L.P. ("Weatherford") to launch a joint market development program to introduce our Drill-N-Ream tool in the Middle East. Under the development agreement, Weatherford and SDPI will demonstrate the Drill-N-Ream's capabilities with large Middle East operators in Saudi Arabia, Kuwait and Oman. The program is planned to continue through June 30, 2018. SDPI and Weatherford each employ a local resident Product Champion to execute the pilot test program of 18 Drill-N-Ream tools. Upon the technology being proven in the region, the parties plan to enter into a long-term commercial agreement.

Our Strategy for Growth

We intend to pursue the following growth strategies as we seek to expand our market share and solidify our position as a competitive drilling tool manufacturer in the drilling industry:

Leverage highly advanced tool technologies. We currently have two differentiated advanced drilling tool technologies that address challenges encountered in the oil and gas drilling marketplace.

● The Strider technology is a patented drill string oscillation system that minimizes drill string friction thereby improving weight on bit for directional drilling. Its technological advancements, including a two-part design, enable the Strider to be placed closer to the drill bit than other oscillation tools. We have two tools that incorporate the Strider technology: the CTS and the OHS.

● The Drill-N-Ream tool has a unique design that provides a cleaner well bore with fewer ledges and a wider drift, while eliminating the need for a dedicated reaming run. As a result, our end users experience fewer drill string tool failures and reduce the number of drilling days per well.

Expand our channels to market. We have strategically shifted from creating a rental tool business to leveraging existing distribution channels in the exploration and production industry. As noted earlier, in May 2016, we entered into an agreement with DTI, establishing DTI as the exclusive distributor of our patented Drill-N-Ream tool in the United States and Canada onshore and offshore markets. As a result of this agreement, we believe our technology will penetrate the market more efficiently as DTI already has developed long-term relationships with end users.

We are expanding our channels to market and our geographic presence with the market development agreement we entered into with Weatherford in December 2017. We expect to add additional distributors as we expand our tool offering. We also expect to leverage our distributor and customer relationships to identify needs for new tool development and to use these channels to market a broadened product offering as it is developed.

We are currently negotiating a new agreement with Baker Hughes to broaden our relationship beyond what we have provided for them the past 22 years. While Baker Hughes continues to use us for its drill bit refurbishment in the Rocky Mountain and other Western regions of the U.S., we have also leveraged our long time relationship to increase our market penetration. In 2016, we added our OHS tool rental agreement to our drill bit refurbishing business with Baker Hughes. Their sales force will now offer the OHS in order to provide a complete offering to their customers. We intend to continue to develop our long-time relationship with Baker Hughes and look for other ways to partner with them.

Strengthen and support our employees. Our experienced employees and management team are some of our most valuable resources. Attracting, training, and retaining key personnel, has been and will continue to be critical to our success. To achieve our goals, we intend to remain focused on providing our employees with training, personal and professional growth opportunities, as well as adding performance-based incentives, including opportunities for stock ownership, and other competitive benefits. We are also working with the local university and high school to develop and teach local programs in machining and engineering expertise and technical resources.

Seek strategic acquisitions to enhance or expand our product lines. While capital constraints are currently requiring us to focus on organic growth, we may identify new technologies to add to our arsenal of tools for the exploration and production industry. In analyzing new acquisitions, we intend to pursue opportunities that complement our existing product line and/or that are geographically situated within our current market. We believe that strategic acquisitions will enable us to exploit economies of scale in the areas of finance, human resources, marketing, administration, information technology, and legal, while also providing cross-marketing opportunities among our drill tool product offerings.

Our Horizontal Drilling Tools and Technologies

Drill-N-Ream Tool. The Drill-N-Ream tool is a dual-section wellbore conditioning tool which is located behind the bottom hole assembly (BHA) to smooth and slightly enlarge the well drift in the curved and horizontal sections of horizontal wells, in both oil and water based mud. The Drill-N-Ream tool is available in multiple sizes and can be custom manufactured to fit any hole size. Concurrently as the well bore is being drilled, the Drill-N-Ream tool conditions the well bore tortuosity brought about from the drill bit geo-steering, and from directional drilling overcorrections and formation interactions which allows the drill string to move through the conditioned well bore left by the drill bit with less friction and stress. As a result, the Drill-N-Ream tool extends the horizontal distance of the well bore by:

(a) smoothing out ledges and doglegs left by the bit, which allows the drill string to move through a conditioned well bore with less friction and stress,

(b) reducing tool joint damages and trip time (i.e. the time required to remove and reinsert the drill string),

(c) enhancing the power available to drive the drill bit assembly,

(d) extending the horizontal distance that can be drilled during a run and making tripping (removal of the drill string), and

(e) the running of casing in the completed well much easier.

This also reduces the number of "trips" required by the operator, or the number of times the drill string has to be removed and reinserted. Each time a drilling operator has to trip the drill string and replace a bit or other drill string component, it costs the operator substantial time and money, so we believe anything that allows each run to extend further without additional tripping is of great value to our customers. Traditional methods for conditioning the well bore entails removing the drill string and running a dedicated reamer through the well bore, typically in two separate runs. The Drill-N-Ream tool eliminates the need for dedicated reamer runs, and therefore reduces the cost of drilling a horizontal well.

We believe that the Drill-N-Ream's rapid adoption and continued use by operators validates its effectiveness and industry acceptance. In fact, leading operators have begun to standardize their drilling assembly with a Drill-N-Ream tool. In addition, we understand that a number of customers have rented the Drill-N-Ream tool after first trying competitive products. We expect the above factors to support increasing interest in, and revenue from, the Drill-N-Ream tool over the next several years as more well operators' reports of its effectiveness are transmitted through word-of-mouth by an increasing user base to other well operators globally.

Strider Technology. The Strider technology utilizes its unique patented design to reduce drill string friction on horizontal wells, resulting in improved rates of penetration and cost savings. Its revolutionary engineering provides a cost-effective alternative to conventional downhole vibration tools. The Strider technology is designed to help dissipate the inertial drag of a horizontal drill string by generating rhythmic pulses that break the frictional connection between the drill strings and well bore greatly enhancing drilling rates.

The Strider technology is composed of two main parts, a hydraulic channeling chamber (HCC) and a rhythmic pulsation chamber (RPC). The RPC contains a precisely engineered, high speed pulse-valve that systematically restricts flow area. During flow restriction, or "closure", the ideal amount of fluid is allowed to continue down hole. This perfectly controlled hydraulic flow produces an optimal pulse frequency, which is preferred for bottom hole assembly equipment. The low frequency also allows for placement of the Strider technology closer to the bit than typical oscillation tools.

We believe that our Strider technology is at the forefront of drill string tool technological development for horizontal drilling. We also believe our Strider technology offers significant advantages over our competitors drill string stimulation tools and will be rapidly accepted in the drilling market and completion markets.

We have two tools that we have developed with our Strider technology: the CTS and OHS.

The CTS is used in the completions industry to assist the coiled tube used to complete previously drilled well bores to get to bottom depth. It is used by oil field services companies that specialize in completions, as well as by the operators. We expect to commercialize the redesigned CTS in mid-2018.

The OHS is used as a component of the bottom hole assembly for drilling to create improved drilling efficiencies by reducing friction and adding additional thrust behind the drill bit. The tool is expected to be commercialized and ready for shipment in mid-2018.

V-Stream advanced conditioning system ("V-Stream"). The V-Stream tool is an integral spiral blade stabilizer and is engineered to combine stabilization with reaming. A cavity or plenum in the middle of the blades facilities enhanced fluid flow for cuttings transport and reduces torque when compared with typical stabilizers with similar overall blade length. Non-active cutters at gauge enable the V-Stream to remove formation and condition the hole while controlling deviation. With these unique features, the V-Stream will stabilize the BHA and condition the hole simultaneously to optimize the drilling operations.

Dedicated Reamer Stinger ("DR Stinger"). DR Stinger is designed to optimize dedicated reamer operations. DR Stinger utilized our fully-patented Drill-N-Ream tool with its dual stage eccentric reamers which conditions well bores by increasing well bore drift. The two reamer stages spaced approximately five feet apart act in unison to force each other into the formation while efficiently reducing ledges, doglegs, and well bore tortuosity. With DR Stinger, a tapered stinger is placed just below the Drill-N-Ream tool at the end of the drill string. The DR Stinger eliminates any bit costs during the reamer operation as it is run without a bit, offering a much better indication of hole conditions. Floats are included in the DR Stinger, as well as an anti-plug port system with both features eliminating any plugging of the drill string. With no bit on the DR Stringer, the drill string will find and keep well bore center preventing unplanned side tracks.

Our Drill Bit Refurbishment Business

Our original arrangement with Baker Hughes was an agreement to perform our drill bit refurbishment work exclusively for their Rocky Mountain, California and Alaskan regions. We believe that we continue to lead the industry in PDC drill bit repair technology – continually improving repair techniques to improve drill bit performance and efficiency. We are negotiating a new agreement with Baker Hughes to both deepen and broaden our relationship with them while providing continuity of service.

Oil and Gas Drilling Industry

Overview

Drilling and completion of oil and gas wells are upstream operations in the oil and gas industry served by the oilfield services group within the energy industry. The drilling industry is often segmented into the North American market and the International market. These markets share common exposure to the same macro environment, but also exhibit unique factors that drive the dynamics of each market.

Oilfield services companies drill the wells for hydrocarbon exploration and production ("E&P") companies. Demand for drilling services is a function of the willingness of E&P companies to make operating and capital expenditures to explore for, develop and produce hydrocarbons. This is highly dependent upon the global demand for oil and gas, the price of the commodities and the cost of drilling services. When oil or natural gas prices increase, E&P companies generally increase their capital expenditures, resulting in greater revenue and profits for both drillers and equipment manufacturers. Likewise, significant decreases in the prices of those commodities may lead E&P companies to reduce their capital expenditures, which decreases the demand for drilling equipment.

Trends in the Industry

Recent Rig Count Improvement; Industry Volatility. Our business is highly dependent upon the vibrancy of the oil and gas drilling operations in the U.S. Worldwide military, political and economic events have contributed to oil and natural gas price volatility and are likely to continue to do so in the future. Soon after the completion of our IPO in late May 2014 and through early 2016, oil prices dramatically declined in the United States and as a result, the number of operating drill rigs has been measurably reduced. The NYMEX-WTI oil price was as low as $26.19 in February 2016 compared with its current price of $60.51 in February 2018. The NYMEX-Henry Hub natural gas price was as low as $1.49 per MMBtu in March 2016 and in February 2018 rose to $2.63. In concert with the decline in commodity prices, the Baker Hughes weekly rotary rig count decreased over 70% from a high of 1,931 on September 13, 2014 to a historic low of 404 as of May 27, 2016.

The downturn in 2015 and 2016, severely impacted both pricing and volume for drill bit refurbishment. Our contracted areas with Baker Hughes include the higher cost production Bakken shale formation in North Dakota, which had a more dramatic decline in rig count than the overall U.S rig count decline.

The recovery in the industry began during the second half of calendar year 2016 and into 2017, as the U.S. rig count more than doubled from mid-2016 to mid-2017. The rate of growth in rig count stabilized in July 2017 and is still increasing but at a slower rate. Oil and gas production has increased to record levels and grew at a faster rate than the increased rig count because of better rig technology and higher rates of productivity per rig. With the increase in market activity, we have seen an increase in demand for our product and services, although we have not seen an increase in pricing.

Advancing Production Technologies. The oil and gas industry is increasingly using directional (e.g., horizontal) drilling in their exploration and production activities because of significantly improved recovery rates that can be achieved with these methods. With the rise of this type of drilling, traditional drill string tools used for vertical drilling do not necessarily provide the best performance or are not well suited for directional drilling. In addition, lower oil and natural gas prices combined with more technically challenging horizontal drilling has driven the demand for new technologies. We believe the value of our Drill-N-Ream tool and Strider technology have proven to provide significant operational efficiencies and costs savings for horizontal drilling activity and, combined with our low market penetration, provide us sales opportunities in soft as well as robust markets.

GE Oil & Gas merger with Baker Hughes. In October 2016, GE Oil Gas and Baker Hughes announced an agreement to combine their businesses. Currently Baker Hughes is our sole customer for our bit refurbishment business and we expect this merger will impact our collection of accounts receivable from 60 contractual days to 120 contractual days. Despite this, we intend to continue developing our long-time relationship with Baker Hughes including our agreement with Baker Hughes to supply the Strider technology with our OHS tool and related services. As well as the negotiations of an agreement renewal with Baker Hughes that will broaden our relationship beyond the current agreement which was extended to March 31, 2018.

New Product Development and Intellectual Property

Our sales and earnings are influenced by our ability to successfully provide the high-level service that our customers demand, which in turn relies on our ability to develop new processes, technology, and products. We have also historically dedicated additional resources toward the development of new technology and equipment to enhance the effectiveness, safety, and efficiency of the products and services we provide. We expect that with our extensive knowledge and experience in the oilfield industry, we can identify additional challenges with directional drilling, and then design and develop tools that will help our customers with their drilling challenges. Further development of additional drill string components will become increasingly important to our business as we continue to grow through both organic expansion and strategic acquisitions.

During 2016, research and development costs were approximately $1.2 million. In 2017, our research and development costs decreased slightly to $0.7 million, which represented 5% of our 2017 revenue as we continued to maintain our commitment to new product development during the downturn in our industry.

Although we highly value our proprietary products and technology, we also depend on our technological capabilities, customer service oriented culture, and application of our know-how to distinguish ourselves from our competitors. We also consider the services we provide to our customers, our customer relationships, and the technical knowledge and skill of our personnel, to be more important than our registered intellectual property in our ability to compete. While we stress the importance of our research and development programs, the technical challenges and market uncertainties associated with the development and successful introduction of new and updated products are such that we cannot assure investors that we will realize any particular amount of future revenue from the services and related products resulting from our research and development programs.

Suppliers and Raw Materials

We acquire supplies, component parts, products and raw materials from suppliers, including steel suppliers, foundries, forge shops and original equipment manufacturers. The prices we pay for our raw materials may be affected by, among other things, energy, industrial diamond, steel and other commodity prices, tariffs and duties on imported materials and foreign currency exchange rates. Certain of our component parts, products or specific raw materials are only available from a limited number of suppliers.

Our ability to obtain suitable quality raw materials and components, such as PDC's, steel and flux, solder and heating elements, is critical to our ability to remanufacture Baker Hughes drill bits, and to manufacture the Drill-N-Ream tool and Strider technology tools and other future drill line products. In order to purchase raw materials and components in timely and cost effective manner, we have developed both domestic and international sourcing connections and arrangements. We maintain quality assurance and testing programs to analyze and test these raw materials and components in order to assure their compliance with our rigorous specifications and standards. We generally try to purchase our raw materials from multiple suppliers so we are not dependent on any one supplier, but this is not always possible.

Because Baker Hughes pays the cost of direct materials and supplies used in our drill bit refurbishing process, cost increases are not as critical as short-term financial components for that line of business. However, the price and availability of commodities and components, in particular steel, can have an impact on our operations. We have no assurance that we will be able to continue to purchase these raw materials on a timely basis or at historical prices.

Proprietary Rights

We rely primarily on a combination of patent, trade secret, copyright and trademark laws, confidentiality procedures, and other intellectual property protection methods to protect our proprietary technology. Mr. Meier currently has U.S. patent applications pending, and related international patent applications pending as co-inventor, and individually with respect to the Strider technology and other pending horizontal drilling tools. There is no assurance that our patent applications will result in issued patents, that the existing patents or that any future patents issued to us will provide any competitive advantages for their products or technology, or that, if challenged, the patents issued to us will be held valid and enforceable. Despite our precautions, unauthorized parties may attempt to copy aspects of our products or obtain and use information that we regard as proprietary. Existing intellectual property laws afford only limited protection and policing violations of such laws is difficult. The laws of certain countries in which our products are or may be used by our customers do not protect our products and intellectual property rights to the same extent as do the laws of the United States. There is no assurance that these protections will be adequate or that our competitors will not independently develop similar technology, gain access to our trade secrets or other proprietary information, or design around our patents.

We may be required to enter into costly litigation to enforce our intellectual property rights or to defend infringement claims by others. Such infringement claims could require us to license the intellectual property rights of third parties. There is no assurance that such licenses would be available on reasonable terms, or at all.

Marketing and Sales

We do not engage in any marketing or sales efforts for our PDC drill bit refurbishing in the oil and gas industry because we are under an exclusive contract with Baker Hughes for those services.

In 2016, the Company entered into an agreement with DTI, under which DTI has a requirement to purchase our Drill-N-Ream tool for their rental tool business and achieve market share requirements in order to maintain exclusive marketing rights for the Drill-N-Ream tool. This agreement changed our business model from a rental tool company to a manufacturer that designs, builds and sells tools. DTI, has exclusive rights to market the Drill-N-Ream tool in the U.S., both onshore and offshore, and in Canada. It must achieve defined market share goals with our tool which began in June 2017 and increases through to the end of 2020. We are in the process of evaluating DTI's market share performance as of December 31, 2017, as well as negotiating an amendment to the agreement with DTI. We receive revenue from DTI for tool sales, tool repairs and a royalty fee based on the tools usage.

Our OHS agreement with Baker Hughes enables us to supply our drill string oscillation tool which reduces drill string friction on horizontal wells, resulting in improved rates of penetration and cost savings. The agreement has no set expiration date or minimum shipment requirement. It will remain in force until either SDP or Baker Hughes cancel it. Subject to certain limitations, the agreement is terminable by Baker Hughes on 30 days prior written notice. The tool is expected to be commercialized and ready for shipment in mid-2018.

In December 2017, the Company entered into an agreement with Weatherford to launch a joint market development program to introduce our Drill-N-Ream tool in the Middle East. Under the development agreement, Weatherford and SDPI will demonstrate the Drill-N-Ream's capabilities with large Middle East operators in Saudi Arabia, Kuwait and Oman. The program is planned to continue through June 30, 2018. SDPI and Weatherford each employ a local resident Product Champion to execute the pilot test program which originally was for 16 Drill-N-Ream tools and has been expanded since then to 18 DnRs. Upon the technology being proven in the region, the parties plan to enter into a long-term commercial agreement.

Competitive Strengths

We believe that we differentiate ourselves from our competitors because of the technological advantages of our proprietary tools, the quality and reliability of our products, our responsive service, and our manufacturing flexibility to rapidly respond with products that meet the most demanding needs of our customers.

Cutting-edge manufacturing capability and proprietary technologies. We have created and designed a cutting-edge machining facility with custom features. We recruited and hired a high level, cross-industry machining team to design and manufacture our products using a suite of highly technical, computer controlled, purpose-built equipment, much of which we design and manufacture for our proprietary use. Most of our manufacturing equipment and products now use advanced technologies that enable us to increase efficiency, enhance the integrity of precision drill bit and drill string tools that we manufacture and improve safety.

Industry-recognized expertise and innovation. We believe that we have developed a strong reputation for producing quality products and services based upon our industry-recognized depth of experience, ability to attract and retain quality employees, and innovative processes and applications. We believe that several of the drill bit refurbishing processes and technologies that we developed have raised industry standards.

Experienced management team with proven track record. Our executive officers and senior operational managers have extensive experience both with us and in the oilfield service industry generally. Our chief executive officer and co-founder, Troy Meier, has a 33-year relationship with Baker Hughes, providing innovative ideas to support Baker Hughes in maintaining their leadership role in the drill bit industry. Meier family entities continue to be a significant shareholder of our outstanding stock which we believe aligns their interests with the interests of our public investors.

Competition

Drill Bit Refurbishing. The primary competitors for our drill bit refurbishing services are the in-house units at Hughes Christensen, the division of Baker Hughes responsible for drill bits. Other drill bit manufacturers also have in-house refurbishing units, but they are not our competitors because of our exclusive contract with Baker Hughes.

Drilling Enhancement Tools. The primary competitors for our Drill-N-Ream tool are several single-section reaming tool manufacturers, including Baker Oil Tools (a division of Baker Hughes), NOV, and Schlumberger. We believe that the Drill-N-Ream tool is the only patented dual-section or dual cutting structure drill string reamer on the market today. We believe that distinction will allow us to continue building on the Drill-N-Ream tool's first-mover advantage.

We believe that our Strider technology is at the forefront of drill string tool technological development for horizontal drilling. There are existing tools that would compete with the Open Hole drill string stimulation tool, such as the Agitator tool marketed by NOV. However, we believe our technology in the drill string stimulation tool offers significant advantages over the Agitator and we believe our Strider technology will be rapidly accepted in the drilling market.

Customers

Distributor/Agent Relationships and Customer Diversification. In 2016, we entered into an agreement with Baker Hughes to be a market channel partner for new customers of our Strider technology, specifically the Open Hole Strider. We engaged with DTI in May 2016 to be the exclusive distributor of the Drill-N-Ream in the United States and Canada onshore and offshore markets. We are also working on additional prospective channel partners, including Weatherford for the Middle East market and for the CTS. While our direct customers are limited and our concentration of revenue is high, the users of our patented technologies continues to increase and represent leading oil and gas producers in North America. Our manufacturing technologies operations also provide us diversification opportunities as we can custom create manufacturing designs and build prototypes for our customers' new technologies under development.

*Drill Bit Refurbishing***.** Our sole customer for our drill bit refurbishing services is Hughes Christensen, the division of Baker Hughes responsible for drill bits, under our exclusive long-term contract with them. Our current agreement with Baker Hughes regarding drill bit refurbishment has been extended until March 31, 2018. We are currently negotiating an agreement renewal with Baker Hughes that is expected to replace the existing agreement. We work directly with their field engineers, manufacturing and marketing representatives to develop new products and enhancements, improve efficiency and safety, and solve complex drilling tool problems.

*Drilling Enhancement Tools***.** E&P operators, other oil field services companies and distributors are demanding key technologies, such as advanced directional drilling and more complex completion systems in order to reduce costs resource requirements and tie to production. We believe that there will be significant opportunities to bring new products and equipment to market, such as our Drill-N-Ream tool and Strider technology, which have been designed and engineered with these new challenges in mind.

Seasonality

A substantial portion of our business is not significantly impacted by changing seasons. A small portion of the revenue we generate from selected operations may benefit from higher first quarter activity levels, as operators take advantage of the winter freeze to gain access to remote drilling and production areas. In the past, some of our revenue in Alaska has declined during the second quarter due to warming weather conditions that resulted in thawing, softer ground, difficulty accessing drill sites and road bans that curtailed drilling activity.

Environmental, Health and Safety Regulation

Our operations are subject to numerous stringent and complex laws and regulations governing the discharge of materials into the environment, health and safety aspects of our operations, or otherwise relating to human health and environmental protection, and we have put a strong focus on these issues.

We designed and built our Vernal facility as a fully-contained business park, except for the city sewer connection. Underlying our entire facility, including parking lots and runoff storage areas, is a complete capture and containment field that collects all building drainage and ground run off in isolated tanks. Captured drainage and runoff, as well as all hazardous waste generated in our manufacturing processes is regularly removed from our facility by a certified hazardous waste disposal company. However, the trend in environmental regulation has been to impose increasingly stringent restrictions and limitations on activities that may impact the environment, and thus, any changes in environmental laws and regulations or in enforcement policies that result in more stringent and costly waste handling, storage, transport, disposal, or remediation requirements could have a material adverse effect on our operations and financial position. Moreover, accidental releases or spills of regulated substances may occur in the course of our operations, and we cannot assure you that we will not incur significant costs and liabilities as a result of such releases or spills, including any third-party claims for damage to property, natural resources or persons. Failure to comply with these laws or regulations or to obtain or comply with permits may result in the assessment of administrative, civil and criminal penalties, imposition of remedial or corrective action requirements, and the imposition of orders or injunctions to prohibit or restrict certain activities or force future compliance.

The following is a summary of the more significant existing environmental, health and safety laws and regulations to which our business operations are subject and for which compliance could have a material adverse impact on our capital expenditures, results of operations or financial position.

Hazardous Substances and Waste. The Resource Conservation and Recovery Act ("*RCRA*") and comparable state statutes, regulate the generation, transportation, treatment, storage, disposal and cleanup of hazardous and non-hazardous wastes. Under the auspices of the EPA, the individual states administer some or all of the provisions of RCRA, sometimes in conjunction with their own, more stringent requirements. We are required to manage the transportation, storage and disposal of hazardous and non-hazardous wastes in compliance with RCRA.

The Comprehensive Environmental Response, Compensation, and Liability Act ("*CERCLA*"), also known as the Superfund law, imposes joint and several liability, without regard to fault or legality of conduct, on classes of persons who are considered to be responsible for the release of a hazardous substance into the environment. These persons include the owner or operator of the site where the release occurred, and anyone who disposed or arranged for the disposal of a hazardous substance released at the site. We currently own, lease, or operate numerous properties that have been used for manufacturing and other operations for many years. We also contract with waste removal services and landfills. These properties and the substances disposed or released on them may be subject to CERCLA, RCRA and analogous state laws. Under such laws, we could be required to remove previously disposed substances and wastes, remediate contaminated property, or perform remedial operations to prevent future contamination. In addition, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances released into the environment.

Water Discharges. The Federal Water Pollution Control Act (the "*Clean Water Act*") and analogous state laws impose restrictions and strict controls with respect to the discharge of pollutants, including spills and leaks of oil and other substances, into waters of the United States. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by the EPA or an analogous state agency. A responsible party includes the owner or operator of a facility from which a discharge occurs. The Clean Water Act and analogous state laws provide for administrative, civil and criminal penalties for unauthorized discharges and, together with the Oil Pollution Act of 1990, impose rigorous requirements for spill prevention and response planning, as well as substantial potential liability for the costs of removal, remediation, and damages in connection with any unauthorized discharges.

Employee Health and Safety. We are subject to a number of federal and state laws and regulations, including OSHA and comparable state statutes, establishing requirements to protect the health and safety of workers. In addition, the OSHA hazard communication standard, the EPA community right-to-know regulations under Title III of the federal Superfund Amendment and Reauthorization Act and comparable state statutes require that information be maintained concerning hazardous materials used or produced in our operations and that this information be provided to employees, state and local government authorities and the public. Substantial fines and penalties can be imposed and orders or injunctions limiting or prohibiting certain operations may be issued in connection with any failure to comply with laws and regulations relating to worker health and safety.

Insurance and Risk Management

We maintain insurance coverage of types and amounts that we believe to be customary and reasonable for companies of our size and with similar operations. In accordance with industry practice, however, we do not maintain insurance coverage against all of the operating risks to which our business is exposed. Therefore, there is a risk our insurance program may not be sufficient to cover any particular loss or all losses.

Currently, our insurance program includes, among other things, general liability, umbrella liability, sudden and accidental pollution, personal property, vehicle, workers' compensation, directors and officers and employer's liability coverage. Our insurance includes various limits and deductibles or retentions, which must be met prior to or in conjunction with recovery.

Employees

As of December 31, 2017, we had 54 full-time employees compared with 43 full-time employees at the same time in December 2016. We generally have been able to locate and engage highly qualified employees as needed. None of our employees are covered by an ongoing collective bargaining agreement, and we have experienced no work stoppages. We consider our employee relations to be good.

ITEM 1A. Risk Factors

Risks Related to Our Business and Industry

A decline in expenditures by the oil and gas industry could impact our revenue and income and result in an impairment of our assets.

Our business depends upon the condition of the oil and gas industry and, in particular, the willingness of oil and gas companies to make capital expenditures on exploration, drilling and production operations. The level of capital expenditures is generally dependent on the prevailing view of future oil and gas prices, which are influenced by numerous factors affecting the supply and demand for oil and gas, including:

- worldwide economic activity;
- the level of exploration and production activity;
- interest rates and the cost of capital;
- environmental regulation;
- federal, state and foreign policies regarding exploration and development of oil and gas;
- the ability of OPEC to set and maintain production levels and pricing;
- governmental regulations regarding future oil and gas exploration and production;
- the cost of exploring and producing oil and gas;
- the cost of developing alternative energy sources;
- the availability, expiration date and price of leases;
- the discovery rate of new oil and gas reserves;
- the success of drilling for oil and gas in unconventional resource plays such as shale formations;
- technological advances;
- weather conditions.

We expect continued volatility in both crude oil and natural gas prices, as well as in the level of drilling and production related activities. Even during periods of high prices for oil and natural gas, companies exploring for oil and gas may cancel or curtail programs, seek to renegotiate contract terms, including the price of our products and services, or reduce their levels of capital expenditures for exploration and production for a variety of reasons. These risks are greater during periods of low or declining commodity prices. Continued significant or prolonged declines in hydrocarbon prices have had, and may continue to have, a material adverse effect on our results of operations.

We may be unable to maintain adequate liquidity and make payments on our debt.

At December 31, 2017, we had a working capital deficit of approximately $1,300,000. The Company's manufacturing facility is financed by a commercial bank mortgage loan with principal of $4,200,000 due August 15, 2018. The classification of this debt from long-term to short-term resulted in a working capital deficit at December 31, 2017. The Company plans to work with its lender to refinance its commercial bank loan in the first half of 2018.

On September 30, 2016, we priced a public offering of common stock at $1.00 per share. The transaction closed on October 5, 2016. Net of underwriting and stock offering expenses of approximately $709,000, proceeds to the Company were approximately $5.0 million. The Company used the proceeds to pay off a $1 million Bridge Financing completed on August 5, 2016, and the $868,000 indebtedness on our $3 million credit facility with Federal National Commercial Credit ("FNCC") as well as for general corporate purposes, including working capital. Our principal uses of cash are operating expenses, working capital requirements, capital expenditures and debt service payments.

On August 10, 2016, certain of our subsidiaries entered into an amended and restated note with the seller in our acquisition of Hard Rock Solutions, LLC. As amended and restated, the Hard Rock Note accrues interest at 5.75% per annum and matures on January 15, 2020. In 2016, we paid interest of $769,582 and a principal payment of $2,000,000, of which $1,000,000 was paid with 700,000 restricted shares of common stock on August 10, 2016 (having an agreed per share value of $1.43). During the year ending December 31, 2017, we paid interest of $515,452 and made an advanced principal payment of $500,000. Subsequent to year end, we made the accrued interest payments related to the note on January 15, 2018 of $70,890 and made a $500,000 principal payment. The following remaining payments are required under the current terms of the Hard Rock note: in 2018, $500,000 in principal plus accrued interest is due and payable on each of May 15 and July 15, 2018. In 2019, $1,000,000 in principal plus accrued interest on each of January 15, March 15, May 15 and July 15, 2019. The remaining balance of principal of $2,000,000 and accrued interest on the Hard Rock Note are due on January 15, 2020.

Our principal uses of cash are operating expenses, working capital requirements, capital expenditures and debt service payments. Our operational and financial strategies include lowering our operating costs and capital spending to match revenue trends, managing our working capital and debt to enhance liquidity. For example, to conserve cash, we implemented a salary for stock options program during the first quarter of 2016 for senior management and our board of directors. With the success we are having with our distributor agreement with DTI and the opportunity with our new OHS and CTS tool, we believe we should have sufficient capital to support our opportunities in 2018.

Our operational and financial strategies include managing our operating costs, working capital and debt to enhance liquidity. We will continue to work to grow revenue and review additional cost containment measures and be cash flow positive in 2018. If we are unable to do this and successfully refinance our commercial bank loan that is collateralized by our property, we may not be able to, among other things, (i) maintain our current general and administrative spending levels; (ii) fund certain obligations as they become due; and (iii) respond to competitive pressures or unanticipated capital requirements. We cannot provide any assurance that financing will be available to us in the future on acceptable terms.

Failure to generate sufficient revenue to make payments on the Hard Rock Note could result in our loss of the patents securing such note.

The Hard Rock Note is secured by all of the patents, patents pending, other patent rights, and the Drill-N-Ream trademark purchased in the Hard Rock acquisition (the "Drill-N-Ream Collateral"). If we do not have the funds necessary to make the future payments under the Hard Rock Note and fail to make any payments as required thereunder, and we are unsuccessful in amending or restructuring the payment terms, the holder of the Hard Rock Note could conduct a foreclosure sale on the Drill-N-Ream Collateral in order to apply the proceeds thereof toward repayment of the Hard Rock Note and all foreclosure costs, and our subsidiary Superior Drilling Solutions, LLC would be liable for any shortfall or receive any excess from the sales proceeds. The failure to retain and use the Drill-N-Ream Collateral in our business could cause a significant loss of our investment and might have a material adverse effect on our financial condition and results of operation, as well as our ability to grow our drill string tool business.

Our level of indebtedness could adversely affect our future ability to raise additional capital to fund growth, limit our ability to react to changes in our business or our industry and place us at a competitive disadvantage.

We are required to make remaining payments on the Hard Rock Note of $1.0 million (plus accrued interest) in 2018 and $4.0 million (plus accrued interest) for 2019, with the balance of $2.0 million due on maturity in January 2020. We have a commercial bank loan with principal of $4,200,000 due in August 2018. We plan to refinance the loan in the first half of 2018. In addition, we are required to make monthly payments of approximately $68,000 on our other indebtedness.

Our level of debt and debt service requirements could have important consequences. For example, it could (i) result in a foreclosure upon our key assets, (ii) increase our vulnerability to general adverse economic and industry conditions, (iii) limit our ability to fund future capital expenditures and working capital, to engage in future acquisitions or development activities, or to otherwise realize the value of our assets and opportunities fully because of the need to dedicate a substantial portion of our cash flow from operations to payments on our debt, (iv) increase our cost of borrowing, (v) restrict us from making strategic acquisitions or causing us to make non-strategic divestitures, (vi) limit our flexibility in planning for, or reacting to, changes in our business or industry in which we operate, placing us at a competitive disadvantage compared with our competitors who are less leveraged and (vii) impair our ability to obtain additional financing in the future.

There may be significant annual and quarterly fluctuations in our operating results.

Significant annual and quarterly fluctuations in our results of operations may be caused by, among other factors, our volume of revenue, the timing of new product or service announcements, releases by us and our competitors in the marketplace of new products or services, seasonality and general economic conditions. There can be no assurance that the level of revenue achieved by us in any particular fiscal period will not be significantly lower than in other comparable fiscal periods. We believe quarter-to-quarter comparisons of our revenue and operating results are not necessarily meaningful and should not be relied on as indicators of future performance. Our operating expenses are relatively fixed in the short term and are based on management's expectations of future revenue. As a result, if future revenue is below expectations, net income or loss may be disproportionately affected by a reduction in revenue, as any corresponding reduction in expenses may not be proportionate to the reduction in revenue.

Our customer base is concentrated and the loss of, or nonperformance by, one or more of our significant customers could cause our revenue to decline substantially.

We had two large customers that comprised 97% of our total revenue in 2017. It is likely that we will continue to derive a portion of our revenue from a relatively small number of customers in the future. If a major customer decided not to continue to use our services or has a significant reduction in its business, our revenue would decline and our operating results and financial condition could be harmed. In addition, we are subject to credit risk due to the concentration of our customer base. Any increase in the non-payment of and non-performance by our counterparties, either as a result of changes in financial and economic conditions or otherwise, could have a material effect on our business, results of operations and financial condition and could adversely affect our liquidity.

We must continue to develop new technologies, methodologies and products on a timely and cost-effective basis to satisfy the needs of our customers.

The drilling industry is driven primarily by cost minimization, and our strategy is aimed at reducing drilling costs through the application of new drill bit assembly and drill string tool technologies. Our continued success will depend on our ability to meet our customers' changing needs, on a timely and cost-effective basis, by successfully enhancing our current products and processes; developing, producing and marketing new products and processes; and responding to evolving industry standards and other technological changes.

We cannot assure you that our products will be able to satisfy the specifications of our customers or that we will be able to perform the testing necessary to prove that the product specifications are satisfied in the future, or that the costs of modifications to our products to satisfy their requirements will not adversely affect our results of operations. Failure to meet our customer's demand for services may adversely affect our business. We may encounter resource constraints, competition, or other difficulties that may delay our ability to expand our bit remanufacturing services to the level desired or required by our customer. If our products are unable to satisfy such requirements, or we are unable to perform any required testing, our customers may cancel their contracts and/or seek new suppliers, and our business, results of operations, cash flows or financial position may be adversely affected.

Our related party transactions with the Meiers and their affiliated entities may cause conflicts of interests that may adversely affect us.

We have entered into, and may, in the future, enter into various transactions and agreements with the Meiers and their affiliated entities. We believe that the transactions and agreements that we have entered into with the Meiers are on terms that are at least as favorable as could reasonably have been obtained at such time from third parties. However, these relationships could create, or appear to create, potential conflicts of interest when our board of directors is faced with decisions that could have different implications for us and the Meiers or their affiliates. The appearance of conflicts, even if such conflicts do not materialize, might adversely affect the public's perception of us, as well as our relationship with other companies and our ability to enter into new relationships in the future, which may have a material adverse effect on our ability to do business.

Our customers' industries are undergoing continuing consolidation that may impact our results of operations.

The oil and gas industry is rapidly consolidating and, as a result, some of our largest customers have consolidated and are using their size and purchasing power to seek economies of scale and pricing concessions. This consolidation may result in reduced capital spending by some of our customers or the acquisition of one or more of our primary customers, which may lead to decreased demand for our products and services. We cannot assure you that we will be able to maintain our level of sales to a customer that has consolidated or replace that revenue with increased business activity with other customers. As a result, the acquisition of one or more of our primary customers, such as Baker Hughes, may have a significant negative impact on our results of operations, financial position or cash flows. We are unable to predict what effect consolidations in the industry may have on price, capital spending by our customers, our market share and selling strategies, our competitive position, our ability to retain customers or our ability to negotiate favorable agreements with our customers.

We may be unable to successfully compete with other manufacturers of drilling equipment.

Several of our competitors are diversified multinational companies with substantially larger operating staffs and greater capital resources than ours and which have been engaged in the manufacturing business for a much longer time than us. If these competitors substantially increase the resources they devote to developing and marketing competitive products and services, we may not be able to compete effectively. Similarly, consolidation among our competitors could enhance their competing market share, product and service offerings and financial resources, further intensifying competition.

We are dependent on key personnel who may be difficult to replace.

Our success is dependent to a significant degree upon the business expertise and continued contributions of our founders and senior management team. In particular, we are dependent upon the efforts and services of our founders, Mr. Troy Meier, our Chairman and Chief Executive Officer, and Ms. Annette Meier, our President, because of their knowledge, experience, skills, and relationships with major clients and the other members of our management team. Our future success also depends on our ability to identify, attract, hire, train, retain and motivate other highly skilled technical, managerial, marketing and customer service personnel. Competition for such personnel in is intense, and we cannot assure you that we will be able to successfully attract, integrate or retain sufficiently qualified personnel. Our inability to retain these types of individuals could have a material adverse effect on our business, results of operations and financial condition.

Increases in the cost of raw materials used in our manufacturing processes could negatively impact our profitability.

We rely on the availability of volume and quality of synthetic diamond cutters for both our drill bit refurbishment and manufacturing business and for our drill string tool manufacturing business. In addition, we must have a reliable source of steel available for our manufacturing business which is both of sufficient quality, and available at a cost-effective price. We do not have fixed price contracts or arrangements for all of the raw materials and other supplies that we purchase. Baker Hughes provides the diamond cutters for our drill bit refurbishment business. However, sourcing cost-effective supplies of quality steel in the relatively low volumes that our tool manufacturing requires can be challenging. Shortages of, and price increases for, steel and other raw materials and supplies that we use in our business may occur. Future shortages or price fluctuations in synthetic diamond cutters or steel could have a material adverse effect on our ability to conduct either our drill bit refurbishment or our drill tool manufacturing business or our new drill tools in a timely and cost effective manner.

We depend on third-party suppliers for timely deliveries of raw materials, and our results of operations could be adversely affected if we are unable to obtain adequate supplies in a timely manner.

Our manufacturing operations depend upon obtaining adequate supplies of raw materials from third parties. Events beyond our control may impact the ability of these third parties to deliver raw materials may be affected by events beyond our control. Any interruption in the supply of raw materials needed to manufacture our products could adversely affect our business, results of operations and reputation with our customers.

We may be exposed to unforeseen risks in our product manufacturing and processes, which could adversely affect our financial conditions and results of operations.

We operate our business from our Vernal, Utah manufacturing facilities. A natural disaster, extended utility failure or other significant event at our facility could significantly affect our ability to manufacture sufficient quantities of key products or otherwise deliver products to meet customer demand or contractual requirements which may result in a loss of revenue and other adverse business consequences. In addition, the equipment and management systems necessary for our operations are subject to wear and tear, break down and obsolescence, which could cause them to perform poorly or fail, resulting in fluctuations in manufacturing efficiencies and production costs. Significant manufacturing fluctuations may affect our ability to deliver products to our customers on a timely basis and we may suffer financial penalties and a diminution of our commercial reputation and future product orders. Additionally, some of our business may in the future be conducted under fixed price contracts. Fluctuations in our manufacturing process, or inaccurate estimates and assumptions used in pricing our contracts, even if due to factors out of our control, may result in cost overruns which we may be required to absorb. Any shut down of our manufacturing facility, reductions in our manufacturing process or efficiency, or cost overruns could adversely affect our business, financial condition and results of operations.

Our operating history may not be sufficient for investors to evaluate our business and prospects.

We are a recently formed company with a short operating history. This may make it more difficult for investors to evaluate our business and prospects and to forecast our future operating results. As a result, historical financial data may not give you an accurate indication of what our actual results would have been if subsequent acquisitions had been completed at the beginning of the periods presented or of what our future results of operations are likely to be. Our future results will depend on our ability to efficiently manage our operations and execute our business strategy.

We may be unable to employ enough skilled and qualified workers to sustain or expand our current operations.

Our operations require personnel with specialized skills and experience. The supply of skilled and experienced personnel may not be sufficient to meet current or expected demand. Any significant increase in the wages paid by competing employers could result in a reduction of our skilled labor force, increases in the wage rates that we must pay, or both. If any of these events were to occur, our capacity could be diminished, our ability to respond quickly to customer demands or strong market conditions may be inhibited and our growth potential impaired, any of which could have a material adverse effect on our business, financial condition and results of operations.

If we are not able to manage our growth strategy successfully, our business, and results of operations may be adversely affected.

Our growth strategy includes acquisitions and the development and implementation of new product designs and improvements, which presents numerous managerial, administrative, operational, and other challenges. Our ability to manage the growth of our operations will depend on our ability to develop systems and services and related technologies to meet evolving industry requirements and at prices acceptable to our customers to compete in the industry in which we operate. Our ability to compete effectively will also depend on our ability to continue to obtain patents on our proprietary technology and products. Although we do not consider any single patent to be material to our business, the inability to protect our future innovations through patents could have a material adverse effect. In addition, our growth will increase our need to attract, develop, motivate, and retain both our management and professional employees. The inability of our management to manage our growth effectively or the inability of our employees to achieve anticipated performance could have a material adverse effect on our business.

Acquisitions and investments may not result in anticipated benefits and may present risks not originally contemplated, which could have a material adverse effect on our financial condition, results of operations and cash flows.

Our growth strategy includes acquiring other companies that complement our service offerings or broaden our technical capabilities and geographic presence. From time to time, we evaluate purchases and sales of assets, businesses or other investments. These transactions may not result in the anticipated realization of savings, creation of efficiencies, offering of new products or services, generation of cash or income or reduction of risk. In addition, acquisitions may be financed by borrowings, requiring us to incur debt, or by the issuance of our common stock. These transactions involve numerous risks, and we cannot ensure that:

- any acquisition would be successfully integrated into our operations and internal controls;
- the due diligence conducted prior to an acquisition would uncover situations that could result in financial or legal exposure;
- the use of cash for acquisitions would not adversely affect our cash available for capital expenditures and other uses;
- any disposition, investment, acquisition or integration would not divert management resources from the operation of our business; or
- any disposition, investment, acquisition or integration would not have a material adverse effect on our financial condition, results of operations or cash flows.

Our inability to integrate acquisitions successfully could impede us from realizing all of the benefits of the acquisitions which could have a material adverse effect on our financial condition and results of operations.

If we are unable to successfully integrate future acquisitions, we could be impeded from realizing all of the anticipated benefits of those acquisitions and could weaken our business operations. The integration process may disrupt our business and, if implemented ineffectively, may preclude realization of the anticipated benefits expected by us and could harm our results of operations. In addition, the overall integration of the combining companies may result in unanticipated problems, expenses, liabilities and competitive responses, and may cause our stock price to decline. The difficulties of integrating an acquisition include, among others:

- unanticipated issues in integration of information, communications, and other systems;
- unanticipated incompatibility of logistics, marketing, and administration methods;
- maintaining employee morale and retaining key employees;
- integrating the business cultures of both companies;
- preserving important strategic client relationships;
- coordinating geographically separate organizations; and
- consolidating corporate and administrative infrastructures and eliminating duplicative operations.

Even if the operations of an acquisition are integrated successfully, we may not realize the anticipated benefits of the acquisition, including the synergies, cost savings or growth opportunities that we expect. These benefits may not be achieved within the anticipated time frame, or at all. Failing to realize the benefits could have a material adverse effect on our financial condition and results of operations.

Conditions in the global financial system may have impacts on our business and financial position that we currently cannot predict.

Uncertainty in the credit markets may negatively impact the ability of our customers to finance purchases of our products and services and could result in a decrease in, or cancellation of, orders or adversely affect the collectability of our receivables. If the availability of credit to our customers is reduced, they may reduce their drilling and production expenditures, thereby decreasing demand for our products and services, which could have a negative impact on our financial position. Additionally, unsettled conditions could have an impact on our suppliers, causing them to be unable to meet their obligations to us. Although we do not currently anticipate a need to access the credit markets in the short term, a prolonged constriction on future lending by banks or investors could result in higher interest rates on future debt obligations or could restrict our ability to obtain sufficient financing to meet our long-term operational and capital needs.

A terrorist attack or armed conflict could harm our business.

Terrorist activities, anti-terrorist efforts and other armed conflicts involving the United States or other countries may adversely affect the United States and global economies and could prevent us from meeting our financial and other obligations. If any of these events occur, the resulting political instability and societal disruption could reduce overall demand for oil and natural gas, potentially putting downward pressure on demand for our services and causing a reduction in our revenue. Oil and natural gas related facilities could be direct targets of terrorist attacks, and our operations could be adversely impacted if infrastructure integral to our customers' operations is destroyed or damaged. Costs for insurance and other security may increase as a result of these threats, and some insurance coverage may become more difficult to obtain, if available at all.

Materials and minerals used in our manufacturing process may become subject to laws and regulations that may expose us to significant costs and liabilities.

The diamonds comprising the diamond cutting discs used in our operations are synthetic and manufactured in the United States, South Africa and China. Neither those diamond cutters nor any other minerals used in our operations are currently identified as "conflict minerals" in the Dodd-Frank Wall Street Reform and Consumer Protection Act. However, we cannot predict or control if the United States Secretary of State will or will not identify one of the minerals used in our manufacturing process as a conflict mineral. Should the materials used in our manufacturing process be designated as a conflict mineral, we will be required to file Form SD with the SEC and conduct the required diligence to determine the source of the conflict mineral in connection with such disclosure. Any increased costs and expenses associated with this could have a material adverse impact on our financial condition and results of operations.

The use and protection of our proprietary technology will affect our success. There are limitations to our intellectual property rights in our proprietary technology, and thus our right to exclude others from the use of such proprietary technology.

Our success will be affected by our development and implementation of new product designs and improvements and by our ability to protect and maintain critical intellectual property assets related to these developments. Although in many cases our products are not protected by any registered intellectual property rights, in other cases we rely on a combination of patents and trade secret laws to establish and protect this proprietary technology.

We currently hold multiple U.S. patents and have multiple pending patent applications for products and processes in the U.S. and certain non-U.S. countries. Patent rights give the owner of a patent the right to exclude third parties from making, using, selling, and offering for sale the inventions claimed in the patents in the applicable country. Patent rights do not necessarily grant the owner of a patent the right to practice the invention claimed in a patent, but merely the right to exclude others from practicing the invention claimed in the patent. It may also be possible for a third party to design around our patents. Furthermore, patent rights have strict territorial limits. Some of our work will be conducted in international waters and therefore may not fall within the scope of any country's patent jurisdiction. We may not be able to enforce our patents against infringement occurring in international waters and other "non-covered" territories. Also, we do not have patents in every jurisdiction in which we conduct business and our patent portfolio will not protect all aspects of our business and may relate to obsolete or unusual methods, which would not prevent third parties from entering the same market.

We attempt to limit access to and distribution of our technology by customarily entering into confidentiality and/or license agreements with our employees, customers and potential customers and suppliers. Our rights in our confidential information, trade secrets, and confidential know-how will not prevent third parties from independently developing similar information. Publicly available information (e.g. information in expired issued patents, published patent applications, and scientific literature) can also be used by third parties to independently develop technology. We cannot provide assurance that this independently developed technology will not be equivalent or superior to our proprietary technology.

Our competitors may infringe upon, misappropriate, violate or challenge the validity or enforceability of our intellectual property and we may not able to adequately protect or enforce our intellectual property rights in the future.

Our businesses and our customers' businesses are subject to environmental laws and regulations that may increase our costs, limit the demand for our products and services or restrict our operations.

Our operations and the operations of our customers are also subject to federal, state, local and foreign laws and regulations relating to the protection of human health and the environment. These environmental laws and regulations affect the products and services we design, market and sell, as well as the facilities where we manufacture our products. For example, our operations are subject to numerous and complex laws and regulations that, among other things, may regulate the management and disposal of hazardous and non-hazardous wastes; require acquisition of environmental permits related to our operations; restrict the types, quantities and concentrations of various materials that can be released into the environment; limit or prohibit operation activities in certain ecologically sensitive and other protected areas; regulate specific health and safety criteria addressing worker protection; require compliance with operational and equipment standards; impose testing, reporting and record-keeping requirements; and require remedial measures to mitigate pollution from former and ongoing operations. We are required to invest financial and managerial resources to comply with such environmental, health and safety laws and regulations and anticipate that we will continue to be required to do so in the future. In addition, environmental laws and regulations could limit our customers' exploration and production activities. These laws and regulations change frequently, which makes it impossible for us to predict their cost or impact on our future operations. For example, legislation to regulate emissions of greenhouse gases has been introduced in the U.S. Congress, and there has been a wide-ranging policy debate, both nationally and internationally, regarding the impact of these gases and possible means for their regulation. In addition, efforts have been made and continue to be made in the international community toward the adoption of international treaties or protocols that would address global climate change issues, such as the annual United Nations Climate Change Conferences. Also, the EPA has undertaken new efforts to collect information regarding greenhouse gas emissions and their effects. Following a finding by the EPA that certain greenhouse gases represent a danger to human health, the EPA has expanded its regulations relating to those emissions and has adopted rules imposing permitting and reporting obligations. The results of the permitting and reporting requirements could lead to further regulation of these greenhouse gases by the EPA. To date, there has been no significant legislative progress in cap and trade proposals or greenhouse gas emission reductions. The adoption of legislation or regulatory programs to reduce greenhouse gas emissions could also increase the cost of consuming, and thereby reduce demand for, the hydrocarbons that our customers produce. Consequently, such legislation or regulatory programs could have an adverse effect on our financial condition and results of operations. It is too early to determine whether, or in what form, further regulatory action regarding greenhouse gas emissions will be adopted or what specific impact a new regulatory action might have on us or our customers. Generally, the anticipated regulatory actions do not appear to affect us in any material respect that is different, or to any materially greater or lesser extent, than other companies that are our competitors. However, our business and prospects could be adversely affected to the extent laws are enacted or modified or other governmental action is taken that prohibits or restricts our customers' exploration and production activities or imposes environmental protection requirements that result in increased costs to us or our customers.

Environmental laws may provide for "strict liability" for damages to natural resources or threats to public health and safety, rendering a party liable for environmental damage without regard to negligence or fault on the part of such party. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties, and criminal prosecution. Some environmental laws and regulations provide for joint and several strict liability for remediation of spills and releases of hazardous substances. In addition, we may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances, as well as damage to natural resources. These laws and regulations also may expose us to liability for the conduct of or conditions caused by others, or for our acts that were in compliance with all applicable laws and regulations at the time such acts were performed. Any of these laws and regulations could result in claims, fines or expenditures that could be material to results of operations, financial position and cash flows.

Our failure to implement and comply with our safety program could adversely affect our operating results or financial condition.

Our safety program is a fundamental element of our overall approach to risk management, and the implementation of the safety program is a significant issue in our dealings with our clients. Unsafe job sites and office environments have the potential to increase employee turnover, increase the cost of a project to our clients, expose us to types and levels of risk that are fundamentally unacceptable, and raise our operating costs. The implementation of our safety processes and procedures are monitored by various agencies and rating bureaus, and may be evaluated by certain clients in cases in which safety requirements have been established in our contracts. If we fail to comply with safety regulations or maintain an acceptable level of safety at our facilities we may incur fines, penalties or other liabilities, or may be held criminally liable. We may incur additional costs to upgrade equipment or conduct additional training, or otherwise incur costs in connection with compliance with safety regulations. Failure to maintain safe operations or achieve certain safety performance metrics could disqualify us from doing business with certain customers, particularly major oil companies.

Our products are used in operations that are subject to potential hazards inherent in the oil and gas industry and, as a result, we are exposed to potential liabilities that may affect our financial condition and reputation.

Our products are used in potentially hazardous drilling, completion and production applications in the oil and gas industry where an accident or a failure of a product can potentially have catastrophic consequences. Risks inherent to these applications, such as equipment malfunctions and failures, equipment misuse and defects, explosions, blowouts and uncontrollable flows of oil, natural gas or well fluids and natural disasters, on land or in deep water or shallow-water environments, can cause personal injury, loss of life, suspension of operations, damage to formations, damage to facilities, business interruption and damage to or destruction of property, surface water and drinking water resources, equipment and the environment. In addition, we provide certain services that could cause, contribute to or be implicated in these events. If our products or services fail to meet specifications or are involved in accidents or failures, we could face warranty, contract or other litigation claims, which could expose us to substantial liability for personal injury, wrongful death, property damage, loss of oil and gas production, and pollution and other environmental damages. Our insurance policies may not be adequate to cover all liabilities. Further, insurance may not be generally available in the future or, if available, insurance premiums may make such insurance commercially unjustifiable. Moreover, even if we are successful in defending a claim, it could be time-consuming and costly to defend.

In addition, the frequency and severity of such incidents could affect operating costs, insurability and relationships with customers, employees and regulators. In particular, our customers may elect not to purchase our products or services if they view our safety record as unacceptable, which could cause us to lose customers and substantial revenue. In addition, these risks may be greater for us because we may acquire companies that have not allocated significant resources and management focus to quality, or safety requiring rehabilitative efforts during the integration process. We may incur liabilities for losses associated with these newly acquired companies before we are able to rehabilitate such companies' quality, safety and environmental programs.

We previously experienced a material weakness in our internal controls over financial reporting.

In connection with the December 31, 2016 audit of our financial statements, we identified a material weakness in our internal control over financial reporting. A "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness related to a deficiency in the design and operating effectiveness of our internal controls over financial reporting and our ability to prepare financial statements and disclosures, and a lack of accounting expertise to appropriately apply GAAP for complex and non-routine transactions.

We implemented changes to our disclosure controls and procedures and internal control over financial reporting to remediate the material weakness identified above. We strengthened the operation of our internal controls over the accounting for non-routine, complex equity transactions, including increasing the depth and experience within our accounting and finance organization, as well as designing and implementing improved processes and internal controls to identify such matters.

Although we have taken steps that we believe have addressed the underlying causes of the material weakness described above and although no other material weakness have been identified to date, other material weaknesses or deficiencies in our control environment may be identified in the future and we may be unable to accurately report our financial results, or report them within the time frames required by law or exchange regulations.

Our information systems may experience an interruption or breach in security.

We rely on our proprietary production management technology which has changed how users connect to our knowledge and other information technology ("IT") systems to conduct our business. Despite our security and back-up measures, our IT systems are vulnerable to computer viruses, natural disasters and other disruptions or failures. The failure of our IT systems to perform as anticipated for any reason or any significant breach of security could disrupt our business and result in numerous adverse consequences, including reduced effectiveness and efficiency of our operations and those of our customers, inappropriate disclosure of confidential information, increased overhead costs, loss of intellectual property and damage to our reputation, which could have a material adverse effect on our business and results of operations. In addition, we may be required to incur significant costs to prevent or respond to damage caused by these disruptions or security breaches in the future.

Cybersecurity breaches and other disruptions could compromise our information and operations, and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we collect and store sensitive data in our data centers and on our networks, including intellectual property, proprietary business information, information regarding our customers, suppliers and business partners, and personally identifiable information of our employees. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruption of our operations, damage to our reputation, and loss of confidence in our services, which could adversely affect our business.

Our information technology infrastructure is critical to the efficient operation of our business and essential to our ability to perform day-to-day operations. Breaches in our information technology infrastructure or physical facilities, or other disruptions, could result in damage to our assets, safety incidents, damage to the environment, potential liability or the loss of contracts, and have a material adverse effect on our operations, financial position and results of operations.

Risks Relating to Our Common Stock

As a smaller reporting company, we are subject to scaled disclosure requirements that may make it more challenging for investors to analyze our results of operations and financial prospects.

Currently, we are a "smaller reporting company," meaning that our outstanding common stock held by non-affiliates had a market value of less than $75 million as of June 15, 2017. As a "smaller reporting company," we are able to provide simplified executive compensation disclosures in our filings; are exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that independent registered public accounting firms provide an attestation report on the effectiveness of internal control over financial reporting; and have certain other decreased disclosure obligations in our SEC filings, including, being required to provide only two years of audited financial statements in annual reports. Consequently, it may be more challenging for investors to analyze our results of operations and financial prospects.

We are an emerging growth company, and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.

We are an emerging growth company, and, for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies," including, but not limited to, not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We could be an emerging growth company for up to five years following the completion of our initial public offering in May 2014. We will cease to be an emerging growth company upon the earliest of: (a) the end of the fiscal year following the fifth anniversary of our initial public offering, (b) the first fiscal year after our annual gross revenue exceeds $1.0 billion, (c) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt securities or (d) the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeded $700 million as of the end of the second quarter of that fiscal year. We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common stock and the price of our common stock may be more volatile.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. However, we have elected to adopt new or revised accounting standards at such times as applicable to other non-emerging grown public companies.

Furthermore, a material weakness in internal controls may remain undetected for a longer period because of our extended exemption from the auditor attestation requirements under Section 404(b) of Sarbanes-Oxley.

As long as we are controlled by the Meiers, the ability of our stockholders to influence the outcome of matters will be limited.

The Meiers continue to own a substantial portion of our outstanding common stock and serve on our Board of Directors. As long as they have voting control of our company, SDPI will have the ability to take many stockholder actions, including the election or removal of directors, irrespective of the vote of, and without prior notice to, any other stockholder. As a result, the Meiers will have the ability to influence or control all matters affecting us, including:

- the composition of our board of directors and, through our board of directors, decision-making with respect to our governance and business direction and policies, including the appointment and removal of our officers;
- any determinations with respect to acquisitions of businesses, mergers or other business combinations and change of control transactions;
- our acquisition or disposition of assets; and
- our capital structure.

The market price of our common stock has been and may continue to be volatile.

The trading price of our common stock and the price at which we may sell common stock in the future are subject to large fluctuations in response to any of the following:

- limited trading volume in our common stock;
- quarterly variations in operating results;
- general financial market conditions;
- the prices of natural gas and oil;
- announcements by us and our competitors;
- our liquidity;
- changes in government regulations;
- our ability to raise additional funds;
- our involvement in litigation; and
- other events.

We do not anticipate paying dividends on our common stock in the near future.

We have not paid any dividends in the past and do not intend to pay cash dividends on our common stock in the foreseeable future. We currently intend to retain any earnings for the future operation and development of our business. In addition, under Utah law no distribution may be made if, after giving it effect: (a) we would be unable to pay our debts as they come due, or (b) our total assets would be less than our total liabilities. We can provide no assurance that those restrictions will not prevent us from paying a dividend in future periods.\

We may issue preferred stock whose terms could adversely affect the voting power or value of our common stock.

Our articles of incorporation authorizes us to issue, without the approval of our shareholders, one or more classes or series of preferred stock having such designations, preferences, limitations and relative rights, including preferences over our common stock respecting dividends and distributions, as our board of directors may determine. The terms of one or more classes or series of preferred stock could adversely impact the voting power or value of our common stock. For example, we might grant holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred stock could affect the residual value of the common stock.

Certain provisions in our organizational documents could delay or prevent a change in control.

The existence of some provisions in our organizational documents could delay or prevent a change in control of our company, even if that change would be beneficial to our shareholders. Our articles of incorporation and bylaws contain provisions that may make acquiring control of our company difficult, including:

- provisions regulating the ability of our shareholders to nominate directors for election or to bring matters for action at annual meetings of our shareholders;
- limitations on the ability of our shareholders to call a special meeting and act by written consent;
- the authorization given to our board of directors to issue and set the terms of preferred stock; and
- establishment of a classified board of directors.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable

ITEM 2. PROPERTIES

The Company owns four buildings as part of its Vernal, Utah offices, which are used for manufacturing and executive offices. The Company's management believes its current manufacturing and office facility is sufficient for its current operations.

ITEM 3. LEGAL PROCEEDINGS

We are subject to litigation that arises from time to time in the ordinary course of our business activities. We are not currently involved in any litigation which management believes could have a material effect on our financial position or results of operations, except as follows:

In October 2013, Del-Rio Resources, Inc. ("Del-Rio") filed suit, on its own behalf and derivatively on behalf of Philco Exploration, LLC ("Philco"), against the following co-defendants (a) Tronco Ohio, LLC and Tronco, (b) the lender on the Tronco loan, ACF Property Management, Inc. (p.k.a. Fortuna Asset Management, LLC,) ("ACF"), (c) Troy and Annette Meier personally, and several of their family trusts, (d) Meier Family Holding Company, LLC and Meier Management Company, LLC, and (e) SDS and MPS in the Eighth Judicial District Court, Uintah County, Utah Cause #130800125 (the "Suit"). On May 11, 2017, pursuant to a mediation proceeding, all of the plaintiffs and remaining defendants in the Suit executed a Settlement Agreement whereby each of the parties have released all of their claims against the other parties to the Suit, without liability, effective as of March 22, 2017. Such release includes the Company's two subsidiaries that were a party to the Suit, SDS and MPS, as well as Troy and Annette Meier personally and all of their family trusts named as defendants in the Suit. As a result of the execution of the Settlement Agreement, a Stipulated Motion for Dismissal with Prejudice was filed with the Court which includes a form of Order of Dismissal with Prejudice (the "Court Order"). On May 15, 2017, the Court Order was executed by the judge and the Suit was formally dismissed with prejudice.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

PRICE RANGE OF COMMON STOCK

The Company's common stock trades on the NYSE MKT market under the symbol "SDPI". The following table sets forth the high and low sale prices of our common stock as quoted on the NYSE MKT.

	2017		2016	
Fiscal quarter ended:	**High**	**Low**	**High**	**Low**
March 31,	$ 1.33	$ 0.85	$ 2.60	$ 0.84
June 30,	$ 1.08	$ 0.60	$ 2.25	$ 1.25
September 30,	$ 0.97	$ 0.59	$ 2.72	$ 0.86
December 31,	$ 1.49	$ 0.74	$ 1.41	$ 0.77

Approximate Number of Equity Security Holders

As of March 15, 2018 there were 23 stockholders of record and 2,254 beneficial owners of the Company's common stock.

Dividends

The Company does not presently pay dividends on its common stock. The Company intends for the foreseeable future to continue the policy of not paying dividends and retaining earnings, if any, to finance the development and growth of its business.

Securities Authorized for Issuance under Equity Compensation Plans

	Equity Compensation Plan Information		
Plan Category	**Number of restricted shares and securities to be issued upon exercise of outstanding options, warrants and rights (a)**	**Weighted average exercise price of outstanding options, warrants and rights (b)**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)**
Equity compensation plans approved by security holders (1)	1,899,515(1)	1.28	1,264,613(2)
Equity compensation plans not approved by security holders	-	-	-
Total as of December 31, 2017	1,899,515		1,264,613

(1) Consists of 1,899,515 shares under the 2015 Employee Stock Incentive Plan.

(2) Consists of 1,264,613 shares remaining available for future issuance under the 2015 Employee Stock Incentive Plan. The 2014 Employee Stock Incentive Plan was frozen by the Board of Directors such that no future grants of awards will be made and the 2014 Employee Stock Incentive Plan remains effective only with respect to awards outstanding as of June 15, 2015 until they expire according to their terms.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Superior Drilling Products, Inc. is an innovative drilling and completion tool technology company providing cost saving solutions that drive production efficiencies for the oil and natural gas drilling and completions industry. The Company innovates, designs, engineers, manufactures, sells, and repairs drilling and completion tools. Our drilling solutions include the patented Drill-N-Ream® well bore conditioning tool ("Drill-N-Ream tool") and the patented Strider™ Drill String Oscillation System technology ("Strider technology"). In addition, the Company is a manufacturer and refurbisher of PDC (polycrystalline diamond compact) drill bits for a leading oil field services company. We operate a state-of-the-art drill tool fabrication facility, where we manufacture solutions for the drilling industry, as well as customers' custom products. The Company's strategy for growth is to leverage its expertise in drill tool technology and innovative, precision machining in order to broaden its product offerings and solutions for the oil and gas industry.

Industry Trends and Highlights of 2017

Our business is highly dependent upon the vibrancy of the oil and gas drilling operations in the U.S. The reduction in activity has created a more challenging environment in which to market the Company's drilling products. Beginning in the latter half of 2014 and through early 2016, oil prices dramatically declined in the United States and as a result, the number of operating drill rigs in the U.S. was measurably reduced from the high of 1,931 on September 13, 2014 to a historic low of 404 as of May 27, 2016. The rig count began to recover in the latter half of 2016 and ended December 31, 2017 at 929 rigs. The rate of growth in rig count stabilized in July 2017 and is still increasing but at a slower rate than it did from mid-2016 to mid-2017. Generally, the industry is not expected to return to the record high rig count, but rather to operate more efficiently with fewer rigs.

During the dramatic downturn in oil prices and the drill rig count, there was significant pressure on pricing. While conditions have improved, the need to produce oil and gas at a lower cost continues to drive pricing decisions of our customers. This requires us to continually find ways to improve efficiencies and take out costs in production.

Although the Company has seen demand for its oil and gas related products and services in the United States and Canada impacted by these industry conditions, we continue to aggressively market our drilling products. The impact of volume and pricing on our drill bit refurbishment business was especially pronounced as our exclusive customer for that business is a leading supplier of drill bits to the oil and gas exploration and production industry globally.

Our leading product is the Drill-N-Ream tool. Other products include the V-Stream Advance Stabilization System and Dedicated Reamer Stringer. We commercialized the redesigned Coiled Tubing Strider in January 2017 and we expect to commercialize the Open Hole Strider, ("OHS") which also employs the Strider drill string oscillation system technology, mid -2018.

In 2016, the Company changed its go-to-market strategy and business model from a rental tool company to a manufacturer that designs, builds and sells tools. A major step to effect the change was when we entered into an agreement with Drilling Tools International ("DTI") in May 2016. Under the agreement, DTI had a requirement to purchase our Drill-N-Ream tool for their rental tool business and achieve market share requirements in order to maintain exclusive marketing rights for the Drill-N-Ream tool in the United States and Canada onshore and offshore markets. It must achieve defined market share goals with our tool which began in June 2017 and increases through to the end of 2020 to maintain exclusive rights. We are in the process of evaluating DTI's market share performance as of December 31, 2017, as well as negotiating an amendment to the agreement with DTI. We receive revenue from DTI for tool sales, tool repairs and a royalty fee based on the tools usage.

Through our agreement with DTI, the Drill-N-Ream has been used by a growing number of operators and has been used in a greater number of basins than its experience prior to our agreement. There are certain customers with whom DTI is in the process of obtaining Master Service Agreements. During this process, we may act as an agent and bill and collect the rental tool usage on DTI's behalf. When we act as an agent, we record the revenue net (the amount billed less our share of royalty revenue) on our financials and we remit the net amount to DTI.

In January of 2016, we entered into an agreement with Baker Hughes for our OHS. The agreement provides for us to supply to Baker Hughes our drill string oscillation tool to package with their other products. The OHS reduces drill string friction on horizontal wells, resulting in improved rates of penetration and cost savings. The agreement has no set expiration date or minimum shipment requirement. It will remain in force until either the Company or Baker Hughes cancel it. Subject to certain limitations, the agreement is terminable by Baker Hughes on 30 days prior written notice. The tool is expected to be commercialized in mid-2018.

We spent much of 2016 developing the CTS, which was subsequently commercialized in January 2017. This tool also applies the Strider technology, but for the completions industry, a market in which we had not previously competed. We have since re-engineered the CTS in order to more economically manufacture, repair and maintain the tool. Prototype tools are being developed and we expect to commercialize the re-engineered CTS in the first half of calendar year 2018. We are currently considering distribution channel partners for this product and in the meantime are directly renting the tools which require higher maintenance to operators, completion services companies and other customers.

In December 2017, the Company entered into an agreement with Weatherford U.S., L.P. ("Weatherford") to launch a joint market development program to introduce our Drill-N-Ream tool in the Middle East. Under the development agreement, Weatherford and SDPI will demonstrate the Drill-N-Ream's capabilities with large Middle East operators in Saudi Arabia, Kuwait and Oman. The program is planned to continue through June 30, 2018. SDPI and Weatherford each employ a local resident Product Champion to execute the pilot test program of 18 Drill-N-Ream tools. Upon the technology being proven in the region, the parties plan to enter into a long-term commercial agreement.

RESULTS OF OPERATIONS

The following table represents our condensed consolidated statement of operations for the periods indicated:

	For the Years Ended December 31,			
(in thousands)	**2017**		**2016**	
Revenue	$ 15,595	100%	$ 7,153	100%
Operating costs and expenses	15,371	98%	15,399	215%
Income (Loss) from continuing operations	224	2%	(8,246)	(107)%
Other expense	(503)	(3)%	(885)	(12)%
Income tax benefit	-		2	0%
Net loss	(279)	(2)%	$ (9,129)	(114)%

Material changes of certain items in our statements of operations included in our financial statements for the comparative periods are discussed below.

Revenue

Our revenue increased approximately $8,442,000, during the twelve months ended December 31, 2017 compared with the same period in 2016 and this increase is primarily attributable to the increase in the oil and gas production market as well as the increase in the price of oil. Tool revenue for 2017 was approximately $10,597,000. This was comprised of approximately $6,691,000 of rental tool and tool sales revenue and approximately $3,906,000 of other related revenue (royalty fees and maintenance and repair services). Tool revenue for 2016 was approximately $5,483,000 and was comprised of approximately $4,928,000 of rental tool and tool sales and approximately $556,000 of other related revenue. Tool revenue in 2017 grew as a result of the Company's shift in business model in May 2016 from a rental tool business to a predominately tool sales business, the increase in the U.S. drilling activity from 2016 to 2017, and the Company's channel partners efforts to retain its exclusivity in the U.S. and Canada by achieving its increasing market share targets. Contract services revenue increased 200% to approximately $4,998,000 for the twelve months ended December 31, 2017 compared with approximately $1,669,000 for the same period in 2016. The increase in contract services was due to an increase in drilling activity in 2017, which drove demand for drill bit refurbishment services.

Operating Costs and Expenses

Total operating costs and expenses decreased approximately $28,000 during the twelve months ended December 31, 2017 compared with the same period in 2016.

- Cost of revenue increased approximately $1,469,000 for the twelve months ended December 31, 2017 in comparison with the same period in 2016. As a percentage of revenue, cost of sales was 38% compared with 63% in the prior period demonstrating the strong operating leverage inherent in the Company's business model. The Company focused on keeping fixed costs controlled while revenue more than doubled.
- Selling, general and administrative expenses decreased approximately $41,000 for the twelve months ended December 31, 2017 compared with the same period in 2016. In December 2017, the Company incurred a bonus expense of approximately $587,500 in lieu of issuing restricted stock units to the Meiers so that the dollar value of the awards could be used to pay interest and principal on the Tronco related party note receivable by the Meiers. If the Company had issued the restricted stock units to the Meiers, the expense would have been spread out over the three-year vesting period of the units. A restructuring of the sales and marketing departments as a result of the business model change in 2016 and a decrease in research and development also contributed to the decrease in selling, general and administrative expenses.
- Depreciation and amortization expense decreased approximately $615,000 primarily as a result of the Drill-N-Ream tool being reclassified from property, plant and equipment to inventory in accordance with the Company's shift from a rental tool business to a tool sales business.

Other Income (Expenses)

Other income and expense primarily consists of rent income, interest income, interest expense and gain on disposition of assets.

- Other Income. For the twelve months ended December 31, 2017 and 2016, other income was approximately $44,000 and $237,000, respectively. The decrease was the result of the sale of the SAB facilities in February 2017. As a result of the sale, we will no longer receive this rental income.
- Interest Income. For the twelve months ended December 31, 2017 and 2016, interest income was approximately $347,000 and $314,000, respectively. The increase was mainly due to interest received from the Tronco related party note receivable as the interest rate on the note is tied to the prime lending rate.
- Interest Expense. Interest expense for the twelve months ended December 31, 2017 and 2016 was approximately $906,000 and $1,613,000, respectively. The decline in interest expense was due to principal payments associated with the Hard Rock Note and not incurring public offering costs or bridge loan expenses that we had in 2016.

Liquidity and Capital Resources

At December 31, 2017, we had a working capital deficit of approximately $1,300,000. The Company's manufacturing facility is financed by a commercial bank loan with principal of $4,200,000 due August 15, 2018. The classification of this debt from long-term to short-term resulted in a working capital deficit at December 31, 2017. The Company is working to refinance its commercial bank mortgage loan in the first half of 2018.If we are unable to refinance our commercial bank loan that is collateralized by our property, we may disrupt our overall business operations and our ability to generate revenue and we may not be able to, among other things, (i) maintain our current general and administrative spending levels; (ii) fund certain obligations as they become due; and (iii) respond to competitive pressures or unanticipated capital requirements. We cannot provide any assurance that financing will be available to us in the future on acceptable terms.

Public Offering: On September 30, 2016, we sold 5.75 million shares of common stock in a follow-on public offering of common stock for $1.00 per share. The transaction closed on October 5, 2016. Net of underwriting and stock offering expenses, net proceeds were approximately $5.0 million. The Company used the proceeds to repay debt and used the remaining $2.6 million from the offering to service on going debt obligations, which included real property leases and equipment loans, as well as for general corporate purposes, including growth working capital. The Bridge Financing Agreement and the FNCC lending agreement were both terminated upon the repayment on October 5, 2016.

Hard Rock Note: On August 10, 2016, certain of our subsidiaries entered into an amended and restated note with the seller in our acquisition of Hard Rock Solutions, LLC (as so amended and restated, the "Hard Rock Note"). As amended and restated, the Hard Rock Note accrues interest at 5.75% per annum and maturity was extended to January 15, 2020. In addition, we issued 700,000 restricted shares of common stock (having an agreed per share value of $1.43, or $1,000,000 in the aggregate) as payment for $1,000,000 of the $1,500,000 of principal due on October 15, 2016. On October 21, 2016, the Company filed a registration statement with the SEC to register the resale of the 700,000 shares of restricted stock. Additional interest continued to accrue on the Hard Rock Note based on the $1,000,000 value of the shares until the registration statement was declared effective on November 21, 2016.

The Company paid $515,452 in interest in 2017 and made an advanced payment of $500,000 in principal on the Hard Rock Note in November 2017. The accrued interest on the note as of December 31, 2017 was $51,986. Subsequent to the end of 2017, in January 2018, the Company paid $70,890 in interest and another advanced payment of $500,000 in principal on the Hard Rock Note. Remaining payments of the Hard Rock Note for 2018, $500,000 in principal plus accrued interest on each of May 15 and July 15, 2018. For 2019, $1,000,000 in principal plus accrued interest is due and payable on each of January 15, March 15, May 15 and July 15, 2019. The remaining balance of principal of $2,000,000 and accrued interest on the Hard Rock Note are due on January 15, 2020.

Contractual Obligations

The following table presents our contractual obligations as of December 31, 2017. Our obligations to make payments in the future may vary due to certain assumptions including the duration of our obligations and anticipated actions by third parties according to the following table (in thousands):

	2018	2019	2020	2021	2022	Thereafter	Total
Debt (1)	$6,742	$4,497	$2,232	$ 87	$ 63	$ 145	$13,766
Operating Leases	160	130	77	-	-	-	367
Total	$6,902	$4,627	$2,309	$ 87	$ 63	$ 145	$14,133

(1) Amounts represent the expected cash payments of principal and interest amounts associated with our long-term debt obligations.

The aggregate outstanding balance of our notes payable and capital lease obligations net of discounts as of December 31, 2017, was approximately $12.8 million with interest rates ranging from 0% to 8.4%.

Cash Flow

Operating Cash Flows

For the year ended December 31, 2017, net cash provided by our operating activities was approximately $2,359,000. The Company had approximately $279,000 of net loss, approximately $1,628,000 increase in accounts receivable, approximately $613,000 of stock-based compensation expense, and depreciation and amortization expense of approximately $3,677,000.

Investing Cash Flows

For the year ended December 31, 2017, net cash provided by our investing activities was approximately $1,548,000. The Company received approximately $2,484,000 related to the sale of the SAB facilities. The Company used approximately $936,000 in investing activities for property, plant and equipment purchases.

Financing Cash Flows

For the year ended December 31, 2017, net cash used in our financing activities was approximately $3,774,000. The Company made a $2,500,000 loan repayment in February 2017 related to the SAB property that was sold. The Company also made approximately $983,000 principal payments on debt during 2017, approximately $74,000 principal payments on related party debt, and approximately $217,000 principal payments on capital lease obligations.

Off Balance Sheet Arrangements

None

Critical Accounting Policies

The discussion of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. During the preparation of these financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions, including those discussed below. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. The results of our analysis form the basis for making assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. While we believe that the estimates and assumptions used in the preparation of our consolidated financial statements are appropriate, actual results may differ from these estimates under different assumptions or conditions, and the impact of such differences may be material to our consolidated financial statements. Our estimates and assumptions are evaluated periodically and adjusted when necessary. Described below are the most significant policies we apply in preparing our consolidated financial statements, some of which are subject to alternative treatment under GAAP. We also describe the most significant estimates and assumptions we make in applying these policies. See Note 1 to our consolidated financial statements.

Segment reporting is not applicable to us as we have a single, company-wide management team that administers the Company as a whole, rather than by discrete business units. While we have three business product lines and report the revenues by product line internally and externally, we do not capture expenses by product line and as such, we do not maintain complete separate financial statement information by product line. We evaluate our business performance as a single segment and we report as a single segment.

Revenue Recognition

We are a drilling and completion tool technology company and we generate revenue from the manufacturing, repair, and sale of drilling and completion tools. Our manufactured products are produced in a standard manufacturing operation, even when produced to our customer's specifications. We earn royalty commission revenue when our customer invoices their customer for the use of the tools.

Stock-Based Compensation

Stock-based compensation is measured at the grant date, based on the fair value of the award, and is recognized ratably as an expense over the vesting period of the award. Determining the appropriate fair value model and calculating the fair value of stock-based payment awards require the use of subjective assumptions, including the expected life of the stock-based payment awards and stock price volatility. Management uses the Black-Scholes option pricing model to value award grants and determine the related compensation expense. The assumptions used in calculating the fair value of stock-based payment awards represent management's best estimates, but the estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and management uses different assumptions, the Company's stock-based compensation expense could be materially different in the future. The Company expects to continue to grant stock-based awards in the future, and to the extent that the Company does, its actual stock-based compensation expense recognized in future periods will likely increase.

Concentration of Credit Risk

Substantially all of our revenue is derived from our refurbishing of PDC drill bits for Baker Hughes and from the sale of our Drill-N-Ream tool to DTI.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are generally due within 60 days of the invoice date. No interest is charged on past-due balances. We grant credit to our customers based upon an evaluation of each customer's financial condition. We periodically monitor the payment history and ongoing creditworthiness of our customers. An allowance for doubtful accounts is established at a level estimated by management to be adequate based upon various factors including historical experience, aging status of customer accounts, payment history and financial condition of our customers. The allowance for doubtful accounts was $18,450 and $9,000 at December 31, 2017 and 2016, respectively.

Intangible Assets

Annually, and more often as necessary, we will perform an evaluation of our intangible assets for indications of impairment. If indications exist, we will perform an evaluation of the fair value of the intangible assets and, if necessary, record an impairment charge. As of December 31, 2017, the Company performed an evaluation of the intangible assets. Based on this assessment, we have determined no impairment was needed.

Valuation of Inventories

Inventories consist of raw materials, work-in-process and finished goods and are stated at the lower of cost, determined using the weighted-average cost method, or net realizable value. Finished goods inventories include raw materials, direct labor and production overhead. The Company regularly reviews inventories on hand and current market conditions to determine if the cost of finished goods inventories exceed current market prices and impairs the cost basis of the inventory accordingly.

Property, Plant and Equipment

Property, plant and equipment is stated at cost. The cost of ordinary maintenance and repair is charged to operating expense, while replacement of critical components and major improvements are capitalized. Depreciation or amortization of property, plant and equipment, including assets held under capital leases, is calculated using the straight-line method over the asset's estimated useful life as follows:

Buildings and leasehold improvements	2-39 years
Machinery, equipment and rental tools	18 months -10 years
Furniture and fixtures	7 years
Transportation equipment	5 - 30 years
Computer equipment and software	3-5 years

Property, plant and equipment is reviewed for impairment on an annual basis or whenever events or changes in circumstances indicate the carrying value of an asset or asset group may not be recoverable. Indicative events or circumstances include, but are not limited to, matters such as a significant decline in market value or a significant change in business climate. An impairment loss is recognized when the carrying value of an asset exceeds the estimated undiscounted future cash flows from the use of the asset and its eventual disposition. The amount of impairment loss recognized is the excess of the asset's carrying value over its fair value. Assets to be disposed of are reported at the lower of the carrying value or the fair value less cost to sell. Upon sale or other disposition of an asset, the Company recognizes a gain or loss on disposal measured as the difference between the net carrying value of the asset and the net proceeds received.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We do not maintain any derivative instruments such as interest rate swap arrangements, hedging contracts, futures contracts or the like.

Concentration of Credit Risk — We are dependent on just a few main customers. The Company had two significant customers that represented 97% of our revenue for the year ended December 31, 2017. These customers had approximately $2,523,000 in accounts receivable at December 31, 2017. We had two customers that represented 63% of our revenue for the year ended December 31, 2016, and had approximately $650,000 in accounts receivable at December 31, 2016.

We are continuing to develop new products and tools which we believe will broaden our customer base, which will have a positive effect on diversifying our concentration of credit risk.

ITEM 8. FINANCIAL STATEMENTS

SUPERIOR DRILLING PRODUCTS, INC.

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of
Superior Drilling Products, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Superior Drilling Products, Inc. *and subsidiaries* (the "Company") as of December 31, 2017 the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017 and the consolidated results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provide*s* a reasonable basis for our opinion.

/s/ Moss Adams LLP
Dallas, Texas
March 22, 2018

We have served as the Company's auditor since 2017.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders
Superior Drilling Products, Inc.

We have audited the accompanying consolidated balance sheet of Superior Drilling Products, Inc. and subsidiaries (collectively, the "Company") as of December 31, 2016, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Superior Drilling Products, Inc. and subsidiaries as of December 31, 2016, and the results of their operations and their cash flows for each of the year then ended, in conformity with U.S. generally accepted accounting principles.

/s/ Hein & Associates LLP
Dallas, Texas
March 31, 2017

SUPERIOR DRILLING PRODUCTS, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 and 2016

	2017	2016
ASSETS		
Current assets		
Cash	$ 2,375,179	$ 2,241,902
Accounts receivable, net	2,667,042	1,038,664
Prepaid expenses	111,530	76,175
Inventories	1,196,813	1,167,692
Asset held for sale	-	2,490,000
Other current assets	-	13,598
Total current assets	6,350,564	7,028,031
Property, plant and equipment, net	8,809,348	9,068,359
Intangible assets, net	6,132,778	8,579,444
Related party Note receivable	7,367,212	8,296,717
Other noncurrent assets	15,954	15,954
Total assets	$ 28,675,856	$ 32,988,505
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 1,021,469	$ 1,066,514
Accrued expenses	543,758	449,004
Capital lease obligation	-	217,302
Related party debt obligation	-	272,215
Current portion of long-term debt, net of discounts	6,101,678	2,905,682
Total current liabilities	7,666,905	4,910,717
Other long-term liability	-	820,657
Long-term debt, less current portion, net of discounts	6,706,375	13,288,701
Total liabilities	14,373,280	19,020,075
Commitments and contingencies (Note 9)		
Shareholders' equity		
Common stock - $0.001 par value; 100,000,000 shares authorized; 24,535,334 and 24,120,695 shares outstanding, respectively	24,535	24,120
Additional paid-in-capital	38,907,864	38,295,428
Accumulated deficit	(24,629,823)	(24,351,118)
Total shareholders' equity	14,302,576	13,968,430
Total liabilities and shareholders' equity	$ 28,675,856	$ 32,988,505

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

SUPERIOR DRILLING PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

	2017	2016
Revenue	$ 15,595,659	$ 7,153,063
Operating cost and expenses		
Cost of revenue	5,960,223	4,491,670
Selling, general, and administrative expenses	5,734,315	5,775,760
Depreciation and amortization expense	3,676,598	4,291,249
Impairment of property, plant and equipment – held for sale	-	840,380
Total operating costs and expenses	15,371,136	15,399,059
Operating income (loss)	224,523	(8,245,996)
Other income (expense)		
Interest income	346,926	313,547
Interest expense	(905,990)	(1,613,214)
Other income	43,669	237,203
Gain (loss) on sale of assets	12,167	177,611
Total other expense	(503,228)	(884,853)
Loss before income taxes	(278,705)	(9,130,849)
Income tax benefit	-	(2,000)
Net loss	(278,705)	$ (9,128,849)
Basic loss per common share	(0.01)	$ (0.48)
Basic weighted average common shares outstanding	24,268,409	19,155,981
Diluted loss per common share	(0.01)	$ (0.48)
Diluted weighted average Common shares outstanding	24,268,409	19,155,981

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

SUPERIOR DRILLING PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Common Stock		Additional Paid-in	Accumulated	Total Stockholders
	Shares	Par Value	Capital	Deficit	Equity
Balance - December 31, 2015	17,459,605	17,460	31,379,520	(15,222,269)	16,174,711
Share-based compensation expense	211,090	210	783,252	-	783,462
Warrants issued for bridge financing	-	-	112,024	-	112,024
Stock issued for Hard Rock note	700,000	700	999,300	-	1,000,000
Issuance of common stock, net of fees and expenses	5,750,000	5,750	5,021,332	-	5,027,082
Net loss	-	-	-	(9,128,849)	(9,128,849)
Balance - December 31, 2016	24,120,695	$ 24,120	$38,295,428	$ (24,351,118)	$ 13,968,430
Stock-based compensation expense	414,639	415	612,436	-	612,851
Net loss	-	-	-	(278,705)	(278,705)
Balance - December 31, 2017	24,535,334	$ 24,535	$38,907,864	$ (24,629,823)	$ 14,302,576

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

SUPERIOR DRILLING PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities		
Net loss	$ (278,705)	$ (9,128,849)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization expense	3,676,598	4,291,249
Amortization of debt discount	79,424	107,975
Deferred tax benefit	-	(2,000)
Share based compensation expense	612,851	783,462
Unrealized loss on warrant derivative	-	112,024
Impairment of property, plant and equipment		1,054,482
Impairment of inventories		569,602
Gain on sale of assets	(12,167)	(177,611)
Changes in operating assets and liabilities:		
Accounts receivable	(1,628,378)	822,338
Inventories	(29,121)	(115,444)
Prepaid expenses and other current assets	(21,757)	89,677
Other noncurrent assets	-	(60,866)
Accounts payable and accrued expenses	13,990	(218,375)
Other long-term liabilities	(53,355)	(59,375)
Net Cash Provided by (Used In) Operating Activities	2,359,380	(1,931,711)
Cash Flows From Investing Activities		
Purchases of property, plant and equipment	(936,118)	(352,751)
Proceeds from sale of fixed assets	2,483,921	517,385
Net Cash Provided by Investing Activities	1,547,803	164,634
Cash Flows from Financing Activities		
Principal payments on debt	(3,482,311)	(3,254,971)
Principal payments on capital lease obligations	(217,302)	(360,971)
Principal payments on related party debt	(74,293)	(268,835)
Proceeds received from borrowings on debt	-	1,500,000
Proceeds from line of credit	-	226,885
Proceeds from sale of subsidiary	-	50,700
Proceeds from payments on note receivable	-	22,533
Proceeds received from issuance of common stock, net	-	5,027,082
Debt issuance costs	-	(230,446)
Net Cash Provided by (Used in) Financing Activities	(3,773,906)	2,711,977
Net Increase in Cash	133,277	944,900
Cash at Beginning of Period	2,241,902	1,297,002
Cash at End of Period	2,375,179	$ 2,241,902
Supplemental information:		
Cash paid for Interest	$ 851,671	$ 1,563,280
Non-cash payment of other long-term liabilities and interest by offsetting related-party note receivable	$ 1,267,711	$ 311,979
Acquisition of equipment by issuance of note payable	$ 16,557	$ -
Warrants issued for bridge financing debt	-	$ 112,024
Long-term debt paid with stock	-	$ 1,000,000

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

SUPERIOR DRILLING PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Superior Drilling Products, Inc. (the "Company", "SDPI", "we", "our" or "us") is a drilling and completion tool technology company providing solutions for the oil and natural gas drilling industry. The Company, designs, engineers, manufactures, sells, and repairs drilling and completion tools.

Our subsidiaries include (a) Superior Drilling Solutions, LLC (previously known as Superior Drilling Products, LLC), a Utah limited liability company ("SDS"), together with its wholly owned subsidiary Superior Design and Fabrication, LLC, a Utah limited liability company ("SDF"), (b) Extreme Technologies, LLC, a Utah limited liability company ("ET"), (c) Meier Properties Series, LLC, a Utah limited liability company ("MPS"), (d) Meier Leasing, LLC, a Utah limited liability company ("ML"), and (e) HR.

Basis of Presentation

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The consolidated financial statements include the accounts of Superior Drilling Products Inc. and all of its wholly-owned subsidiaries. All significant intercompany accounts have been eliminated in consolidation. The Company does not have investments in any unconsolidated subsidiaries.

In April 2012, the JOBS Act was enacted. Section 107 of the JOBS Act provides that an emerging growth company can utilize the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for implementing new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to nonissuers. We have elected to delay such adoption of new or revised accounting standards, and as a result, we may not implement new or revised accounting standards on the relevant dates on which adoption of such standards is required for other issuer companies.

Subject to certain conditions set forth in the JOBS Act, as an emerging growth company, we intend to rely on certain of these exemptions, including without limitation, providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404 and implementing any requirement that may be adopted regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (auditor discussion and analysis). These exemptions will apply for a period of five years following the completion of our IPO, which occurred in May 2014, although if the market value of our common stock that is held by nonaffiliates exceeds $700 million as of any June 30 before that time, we would cease to be an emerging growth company as of the following December 31.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant items subject to estimates and assumptions include the carrying amount and useful lives of property and equipment and intangible assets, impairment assessments, share-based compensation expense, and valuation allowances for accounts receivable, inventories, and deferred tax assets.

Revenue Recognition

We are a drilling and completion tool technology company and we generate revenue from the refurbishment, manufacturing, repair, and sale of drill string tools. Our manufactured products are produced in a standard manufacturing operation, even when produced to our customer's specifications. We also earn royalty fees under certain arrangements for the tools we sell. In May 2016, the Company entered into an agreement with DTI to be our exclusive distributor of the Drill-N-Ream tool in the United States and Canada. This agreement began the change of direction of our business from renting tools to selling tools.

Tool sales, rentals and other related revenue

Tool and Product Sales: Revenue for tool and product sales is recognized upon shipment of tools or products to the customer. Shipping and handling costs related to tool and product sales are recorded gross as a component of both the sales price and cost of the product sold.

Tool Rental: Rental revenue is recognized upon completion of the customer's job for which the tool was rented. While the duration of the rents vary by job and number of runs, these rents are generally less than one month. The rental agreements are typically based on the price per run or footage drilled and do not have any minimum rental payments or term.

Other Related Revenue: We receive revenue from the repair of tools upon delivery of the repaired tool to the customer. We earn royalty commission revenue when our customer invoices their customer for the use of our tools. The Company may act as an agent by billing and collecting its customers' tool rental revenue. When we are an agent for our customer, revenue is presented in the statement of operations on a net basis. At December 31, 2017, our accounts receivable and accounts payable related to transactions we performed as an agent for our customers were not material.

Contract Services

Drill Bit Manufacturing and Refurbishment: Since 1996, we have refurbished PDC drill bits for Baker Hughes. We are currently operating under a four-year vendor agreement with Baker Hughes that was renewed in 2013 (the "Vendor Agreement"). We recognize revenue for our PDC drill bit services upon shipment of the drill bit. Shipping and handling costs related to refurbishing services are paid directly by Baker Hughes at the time of shipment. By contract, we can only refurbish and manufacture oil or gas drill bits for Baker Hughes, but we are not contractually prohibited from manufacturing drill bits for the mining industry.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit. We maintain cash deposits with financial institutions that may exceed federally insured limits at times. We have chosen credible institutions and believe our risk of loss is negligible.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, payables, and bank debt. The Company believes that the carrying values of these instruments on the accompanying consolidated balance sheets approximate their fair values.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are generally due within 60 days of the invoice date. No interest is charged on past-due balances. We grant credit to our customers based upon an evaluation of each customer's financial condition. We periodically monitor the payment history and ongoing creditworthiness of our customers. An allowance for doubtful accounts is established at a level estimated by management to be adequate based upon various factors including historical experience, aging status of customer accounts, payment history and financial condition of our customers. The allowance for doubtful accounts was $18,450 and $9,000 as of December 31, 2017, and 2016, respectively.

Inventories

Inventories consist of raw materials, work-in-process and finished goods and are stated at the lower of cost, determined using the weighted-average cost method, or net realizable value. Finished goods inventories include raw materials, direct labor and production overhead. The Company regularly reviews inventories on hand and current market conditions to determine if the cost of finished goods inventories exceed current market prices and impairs the cost basis of the inventory accordingly.

Property, Plant and Equipment

Property, plant and equipment is stated at cost. The cost of ordinary maintenance and repair is charged to operating expense, while replacement of critical components and major improvements are capitalized. Depreciation or amortization of property and equipment, including assets held under capital leases, is calculated using the straight-line method over the asset's estimated useful life as follows:

Buildings and leasehold Improvements	2-39 years
Machinery, equipment and rental tools	18 months -10 years
Furniture and fixtures	7 years
Transportation equipment	5 - 30 years
Computer equipment and software	3-5 years

Property, plant and equipment is reviewed for impairment on an annual basis or whenever events or changes in circumstances indicate the carrying value of an asset or asset group may not be recoverable. Indicative events or circumstances include, but are not limited to, matters such as a significant decline in market value or a significant change in business climate. An impairment loss is recognized when the carrying value of an asset exceeds the estimated undiscounted future cash flows from the use of the asset and its eventual disposition. The amount of impairment loss recognized is the excess of the asset's carrying value over its fair value. Assets to be disposed of are reported at the lower of the carrying value or the fair value less cost to sell. Upon sale or other disposition of an asset, the Company recognizes a gain or loss on disposal measured as the difference between the net carrying value of the asset and the net proceeds received.

Intangible Assets

The Company's intangible assets with finite lives consist of developed technology, customer contracts and relationships, and trade names and trademarks.

The cost of intangible assets with finite lives is amortized using the straight-line method over the estimated period of economic benefit, ranging from 3 to 17 years. Asset lives are adjusted whenever there is a change in the estimated period of economic benefit. No residual value has been assigned to these intangible assets.

Intangible assets with finite lives are tested for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. These conditions may include a change in the extent or manner in which the asset is being used or a change in future operations. The Company assesses the recoverability of the carrying amount by preparing estimates of future revenue, margins, and cash flows. If the sum of expected future cash flows (undiscounted and without interest charges) is less than the carrying amount, an impairment loss is recognized. The impairment loss recognized is the amount by which the carrying amount exceeds the fair value. Fair value of these assets may be determined by a variety of methodologies, including discounted cash flow models.

Research and Development

We expense research and development costs as they are incurred. For the years ended December 31, 2017 and 2016, these expenses were approximately $746,000 and $1,200,000, respectively, and are included in the selling, general, and administrative expenses in the statement of operations.

Earnings (Loss) Per Share

Basic earnings (loss) per common share is calculated by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share is calculated by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding, including potentially dilutive common share equivalents, if the effect is dilutive. Potentially dilutive common shares equivalents include stock options and warrants. Approximately 250,000 warrants and 144,000 options to purchase our common stock were excluded from this calculation because they were antidilutive for the year ended December 31, 2017.

Income Taxes

The Company recognizes an asset or liability for the deferred tax consequences of all temporary differences between the tax basis of assets or liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years when the reported amounts of the asset or liabilities are recovered or settled and for operating loss carry forwards. These deferred tax assets and liabilities are measured using the enacted tax rates that will be in effect when the differences are expected to reverse and the carry forwards are expected to be realized. Deferred tax assets are reviewed periodically for recoverability and a valuation allowance is provided as necessary.

Debt Issuance Costs

Costs related to debt issuance are capitalized and amortized as interest expense over the term of the related debt using the straight-line method, which approximates the effective interest method. Upon the repayment of debt, the Company accelerates the recognition of an appropriate amount of the costs as interest expense. Debt issuance costs related to the Hard Rock Note are presented as a direct reduction from the carrying amount of the note payable. As of December 31, 2017 and 2016, the debt issuance costs were $77,641 and $153,503, respectively.

Share Based Compensation

Share based compensation expense for share based payments, related to stock option and restricted stock awards, is recognized based on their grant-date fair values. The Company recognizes compensation expense, net of estimated forfeitures, on a straight-line basis over the requisite service period of the award. Estimated forfeitures are based on historical experience.

Concentrations and Credit Risk

The Company has two significant customers that represented 97% and 63% of our revenue for the years ended December 31, 2017 and 2016, respectively. These customers had approximately $2,523,000 and $650,000 in accounts receivable at December 31, 2017 and 2016, respectively.

Assets and Liabilities Held for Sale

The Company classifies disposal groups as held for sale in the period in which all of the following criteria are met: (1) management, having the authority to approve the action, commits to a plan to sell the disposal group; (2) the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such disposal groups; (3) an active program to locate a buyer or buyers and other actions required to complete the plan to sell the disposal group have been initiated; (4) the sale of the disposal group is probable, and transfer of the disposal group is expected to qualify for recognition as a completed sale, within one year, except if events of circumstances beyond the Company’s control extend the period of time required to sell the disposal group beyond one year; (5) the disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and (6) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. See Note 10 – Related Party Transactions.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (the "FASB") issued an accounting standards update for "Revenue from Contracts with Customers," which supersedes the revenue recognition requirements in "Topic 605, Revenue Recognition." This accounting standard update provides new guidance concerning recognition and measurement of revenue and requires additional disclosures about the nature, timing and uncertainty of revenue and cash flows arising from contracts with customers. This new guidance permits adoption through the use of either a full retrospective approach or a modified retrospective approach for annual reporting periods beginning on or after December 15, 2016, with early adoption not permitted. In August 2015, FASB delayed the effective date one year, and is effective for the Company's fiscal year beginning January 1, 2019. The Company is currently evaluating the impact the pronouncement will have on the consolidated financial statements and related disclosure and will adopt this standard on January 1, 2019.

In February 2016, the FASB issued ASU No. 2016-02, "*Leases*," which introduces the recognition of lease assets and lease liabilities by lessees for all leases which are not short-term in nature. The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements. The Company will adopt this guidance on January 1, 2019. The Company is currently evaluating the impact the pronouncement will have on the consolidated financial statements and related disclosure and will adopt this standard on January 1, 2019.

In March 2016, the FASB issued ASU 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting'', which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. We adopted this guidance in the first quarter of 2018 and we do not expect the adoption of this standard will have a material impact on our consolidated financial statements.

In 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory" which requires an entity to measure in scope inventory at the lower of cost and net realizable value. We adopted this guidance in the first quarter of 2018 and we do not expect the adoption of this standard will have a material impact on our consolidated financial statements.

NOTE 2. LIQUIDITY

At December 31, 2017, we had a working capital deficit of approximately $1,300,000. The Company's manufacturing facility is financed by a commercial bank loan with a lump sum principal payment of approximately $4,200,000 due at the maturity date on August 15, 2018 (see Note 8 – Long-Term Debt). The classification of this debt from long-term to short-term resulted in a working capital deficit at December 31, 2017. The Company plans to work with its lender to refinance its commercial bank mortgage loan in the first half of 2018. If we are unable to refinance our commercial bank loan that is collateralized by our property we may disrupt our overall business operations and our ability to generate revenue and we may not be able to, among other things, (i) maintain our current general and administrative spending levels; (ii) fund certain obligations as they become due; and (iii) respond to competitive pressures or unanticipated capital requirements. We cannot provide any assurance that financing will be available to us in the future on acceptable terms. See Note 8 – Long-Term Debt.

NOTE 3. PUBLIC OFFERING

On September 30, 2016, we sold 5.75 million shares in a follow-on public offering of common stock for $1.00 per share. The transaction closed on October 5, 2016. Net of underwriting and stock offering expenses of approximately $709,000, the net proceeds to the Company were approximately $5.0 million. The Company used the proceeds to repay debt and used the remaining funds from the offering and cash flows from operations to service on going debt obligations, which include real property leases and equipment loans, as well as for general corporate purposes, including growth working capital.

NOTE 4. INVENTORIES

Inventories were comprised of the following:

	December 31, 2017	December 31, 2016
Raw material	$ 1,040,795	$ 952,419
Work in progress	77,702	90,017
Finished goods	78,316	125,256
	$ 1,196,813	$ 1,167,692

During 2016, the Company entered into a distribution agreement with Drilling Tools International ("DTI"), under which DTI has a requirement to purchase our Drill-N-Ream tool for their rental tool business and achieve market share requirements in order to maintain exclusive marketing rights for the Drill-N-Ream tool in the U.S. and Canada. This agreement began the change of direction of our business from renting tools to selling tools. Due to this change in our business model, we moved tools with a net book value of $225,710 from property, plant and equipment into inventory in 2016.

The Company recorded an impairment loss in the cost of sales of $210,745 during the year ended December 31, 2016 relating to the discontinuation of OrBit, a completion drill bit product line that was fully impaired to a net book value of $0.

The Company recorded an impairment loss in the cost of sales of $147,801 during the year ended December 31, 2016 relating to several Strider technologies which required several parts of these tools to be replaced.

There were no impairment losses recorded by the Company during the year ended December 31, 2017.

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are comprised of the following:

	December 31, 2017	December 31, 2016
Land	$ 880,416	$ 880,416
Buildings	4,847,778	4,847,778
Leasehold improvements	717,232	717,232
Machinery and equipment	8,216,237	5,060,281
Machinery under capital lease	-	2,322,340
Furniture and fixtures	507,557	507,554
Transportation assets	811,378	882,163
	15,980,598	15,217,764
Accumulated depreciation	(7,171,250)	(6,149,405)
	$ 8,809,348	$ 9,068,359

During the year ended December 31, 2016, we sold transportation assets, which were no longer necessary to our business, and rental tools for proceeds of $415,817 and gain of $76,211.

In 2016, the Company recognized an impairment loss in the cost of sales of $211,056 related to the Open Hole Strider tool that had been capitalized as part of fixed assets and inventory. It was determined that the tool design had limited market potential and the Company decided to re-engineer the tool to be offered to a broader market.

Depreciation expense related to property, plant and equipment for the year ended December 31, 2017 and 2016 was $1,229,932 and $1,844,582 respectively.

NOTE 6. INTANGIBLE ASSETS

Intangible assets are comprised of the following:

	December 31, 2017	December 31, 2016
Developed technology	$ 7,000,000	$ 7,000,000
Customer contracts	6,400,000	6,400,000
Trademarks	1,500,000	1,500,000
	14,900,000	14,900,000
Accumulated amortization	(8,767,222)	(6,320,556)
	$ 6,132,778	$ 8,579,444

Amortization expense related to intangible assets for the years ended December 31, 2017 and 2016 was $2,446,666 and $2,446,667, respectively.

These intangible assets will be amortized over their expected useful lives using the straight-line method, which is a weighted-average amortization period of 6.3 years. As of December 31, 2017, the Company will recognize the following amortization expense for the respective periods ending December 31 noted below:

2018	2,446,667
2019	1,700,000
2020	1,166,667
2021	583,334
Thereafter	236,110
Total	$ 6,132,778

During the years ended December 31, 2017 and 2016, there were no impairments recognized related to other intangible assets.

NOTE 7. RELATED PARTY NOTE RECEIVABLE

In January 2014, we entered into a Note Purchase and Sale Agreement under which we agreed to purchase a loan made to Tronco Energy Corporation ("Tronco"), a party related to us through common control, in order to take over the legal position as Tronco' s senior secured lender. That agreement provided that, upon our full repayment of the Tronco loan from the proceeds of the Offering, the lender would assign to us all of its rights under the Tronco loan, including all of the collateral documents. On May 30, 2014, we closed our purchase of the Tronco loan for a total payoff of $8.3 million, including principal, interest, and early termination fees. As a result of that purchase, we became Tronco' s senior secured lender, and as a result are entitled to receive all proceeds from sales of the Tronco-owned collateral, as discussed below.

The interest rate on the note is 4.5%. We earned interest of $338,204 and $311,979 in the years ending December 31, 2017 and 2016, respectively.

On March 28, 2017, the Company and Tronco finalized an agreement with a third party and pursuant to this agreement, the third party acquired all of the Ohio assets of Tronco for $550,000. As Tronco's senior secured lender, we agreed to release our lien and security interest on these assets in accordance with the agreement. The Company agreed to a non-cash receipt of the $550,000 from Tronco by reducing our bonus accrual liabilities, which was earned by the Meiers in 2014, but not paid, and was recorded in other long-term liability. As a result of this agreement, we reduced both the other long-term liability and the Tronco related party note receivable during the first quarter of 2017.

On August 8, 2017, the Board of Directors agreed to extend the terms of the Tronco loan to interest only payments due December 31, 2017, 2018, 2019, 2020, and 2021, with a balloon payment of all unpaid interest and principal due upon full maturity on December 31, 2022.

On December 4, 2017, as part of the annual awards made to employees of the Company, the Board of Directors approved grants of restricted stock units to Troy and Annette Meier with an approximate value of $587,500. The Board and the Meiers decided in lieu of making such awards, the dollar value of such awards would be used to pay the annual interest on the Tronco note of $34,992, and the principal on the Tronco note of $379,507 in 2017. The remainder of approximately $173,000 were remitted for taxes on the Meiers behalf. See Note 12 – Share-Based Compensation.

We have the direct legal right to enforce the collateral and guaranty agreements entered into in connection with the Tronco loan and to collect Tronco's collateral sales proceeds, in order to recover the loan purchase amount. The Tronco loan continues to be secured by the first position liens on all of Tronco assets, as well as by the guarantees of Troy and Annette Meier (the "Meier Guaranties"), which are directly payable to and legally enforceable by us. In addition, the Meiers have provided us with stock pledges in which they pledge all of their shares of our common stock held by their family entities (the "Meier Stock Pledge"), as collateral for the Meiers guaranties until full repayment of Tronco loan. The pledged shares, which are subject to insider timing requirements and volume limitations under Rule 144 of the Securities Act and required periodic black-out periods, are being held in third-party escrow until full repayment of the Tronco loan. The Company holds 8,267,860 shares and 530,725 restricted stock units as collateral for the Tronco note as of December 31, 2017.

NOTE 8. LONG-TERM DEBT

Long-term debt is comprised of the following:

	December 31, 2017	December 31, 2016
Real estate loans	$ 4,518,424	$ 7,264,036
Hard Rock Note, net of discount	7,422,912	7,846,497
Machinery loans	513,317	684,921
Transportation loans	353,400	398,929
	12,808,053	16,194,383
Current portion of long-term debt	(6,101,678)	(2,905,682)
	$ 6,706,375	$ 13,288,701

Real Estate Loans

Our manufacturing facility was financed by a commercial bank loan requiring monthly payments of approximately $39,000, including principal and interest at 5.25%. A lump sum principal payment of approximately $4,200,000 is due at the maturity date of this loan on August 15, 2018.

In February 2017, the Company sold real estate to Superior Auto Body ("SAB"), a related party, for the net proceeds of $2.5 million. The cash received from the sale was used to pay down the $2.5 million loan balance on the property. As part of the sale, the Company released 541,000 shares of the Meiers common stock from the collateral for the Tronco note (see Note 10 – Related Party Transactions).

Hard Rock Note

In 2014, the Company purchased all of the interests of Hard Rock. Consideration consisted of $12.5 million paid in cash at closing and a $12.5 million seller's note (the "Hard Rock Note"). The Hard Rock Note and subsequent amendments are secured by the patents, patents pending, other patent rights, and trademarks transferred to Hard Rock by Hard Rock in the closing of the acquisition. At issuance, the fair value of the Hard Rock Note was determined to be $11,144,000, which was less than the face value due to a below-market interest rate. The resulting discount of $1,356,000 is amortized to interest expense using the effective interest method, totaling approximately $76,000 and $108,000 during 2017 and 2016, respectively.

On August 10, 2016, certain of our subsidiaries entered into an amended and restated note with the seller in our acquisition of Hard Rock Solutions, LLC. As amended and restated, the Hard Rock Note accrues interest at 5.75% per annum and matures on January 15, 2020. In 2016, we paid interest of $769,582 and a principal payment of $2,000,000, of which $1,000,000 was paid with 700,000 restricted shares of common stock on August 10, 2016 (having an agreed per share value of $1.43). During the year ending December 31, 2017, we paid interest of $515,452 and made an advanced principal payment of $500,000. Subsequent to year end, we made the accrued interest payments related to the note on January 15, 2018 of $70,890 and made a $500,000 principal payment. The following remaining payments are required under the current terms of the Hard Rock note: in 2018, $500,000 in principal plus accrued interest on each of May 15 and July 15, 2018 and in 2019, $1,000,000 in principal plus accrued interest on each of January 15, March 15, May 15 and July 15, 2019. The remaining balance of principal of $2,000,000 and accrued interest on the Hard Rock Note are due on January 15, 2020.

Bridge Financing

On August 8, 2016, we entered into a private transaction with a private investor pursuant to which we issued a promissory note in the aggregate principal amounts of $1,000,000 and a warrant to purchase up to an aggregate of 250,000 shares of our common stock, subject to certain adjustments to the number of shares and the exercise price described in the warrants. These warrants were valued at $112,024, based on using the Black Scholes model and were recorded as a liability and treated as derivatives. The variable inputs used in the Black Scholes calculation were; expected volatility of 95%, discount rate of 0.72% and the term of the warrants of 5 years. Once the indebtedness was paid off on October 5, 2016, and the final number of shares were known, the liability was removed and the warrants were included in equity.

Transportation Loans

Vehicles

Our loans for Company vehicles and other transportation are with various financing parties we have engaged with in connection with the acquisition of the vehicles. As of December 31, 2017, the loans bear interest ranging from 0%-8.29% with maturity dates ranging from December 2018 through October 2021, and are collateralized by the vehicles. Our cumulative monthly payment under these loans as of December 31, 2017 was approximately $3,200, including principal and interest.

Airplane Loan

Our loan for the Company airplane bears interest at 7.35%, requires monthly payments of principal and interest of approximately $3,500, matures in May of 2026 and is collateralized by the airplane.

Future annual maturities of total debt are as follows (1) :

Year		
2018	$	6,742,484
2019		4,496,556
2020		2,232,023
2021		87,321
2022		63,451
Thereafter		145,041
Total debt	$	13,766,876

(1) Excludes discounts for debt issuance costs.

NOTE 9. COMMITMENTS AND CONTINGENCIES

We are subject to litigation that arises from time to time in the ordinary course of our business activities. We are not currently involved in any litigation which management believes could have a material effect on our financial position or results of operations, except as follows:

In October 2013, Del-Rio Resources, Inc. ("Del-Rio") filed suit, on its own behalf and derivatively on behalf of Philco Exploration, LLC ("Philco"), against the following co-defendants (a) Tronco Ohio, LLC and Tronco, (b) the lender on the Tronco loan, ACF Property Management, Inc. (p.k.a. Fortuna Asset Management, LLC,) ("ACF"), (c) Troy and Annette Meier personally, and several of their family trusts, (d) Meier Family Holding Company, LLC and Meier Management Company, LLC, and (e) SDS and MPS in the Eighth Judicial District Court, Uintah County, Utah Cause #130800125 (the "Suit"). On May 11, 2017, pursuant to a mediation proceeding, all of the plaintiffs and remaining defendants in the Suit executed a Settlement Agreement whereby each of the parties have released all of their claims against the other parties to the Suit without liability effective as of March 22, 2017. Such release includes the Company's two subsidiaries that were a party to the Suit, SDS and MPS, as well as Troy and Annette Meier personally and all of their family trusts named as defendants in the Suit. As a result of the execution of the Settlement Agreement, a Stipulated Motion for Dismissal with Prejudice was filed with the Court which includes a form of Order of Dismissal with Prejudice (the "Court Order"). On May 15, 2017, the Court Order was executed by the judge and the Suit was formally dismissed with prejudice.

NOTE 10. RELATED PARTY TRANSACTIONS

Notes Payable

In 2014, the Company issued notes payable to related parties in the amount of $2 million. The notes bear interest at 7.5% and were scheduled to mature on January 2, 2017. The Company did not pay these notes upon maturity as the Company and the related parties informally agreed to offset these notes payable with the related-party note receivable. During the year, the Company made principal payments and interest payments of $80,000 related to the notes payable. Additionally, the Company applied $207,942 in principal and interest due to the Company on the related party note receivable (see Note 6 – Related Party Note Receivable) during the year ended December 31, 2017 and reduced the balance to $0 as of December 31, 2017.

Superior Auto Body

On January 1, 2016, the Company completed the divestiture of our interest in Superior Auto Body and Paint, LLC, by selling the remaining ownership interests in the business operations to a third party. The Company received $101,400 in proceeds. The Company leased certain of its facilities to Superior Auto Body ("SAB"). We recorded rental income from the related party in the amounts of $199,902 for the years ended December 31, 2016 and 2015. As discussed below, in 2017, we sold the facilities that had been leased to SAB and accordingly, we will no longer receive this rental income.

In 2016, the Company recognized an impairment loss of $840,380 related to SAB. This loss was recorded in 2016 and the asset was classified as held for sale. In February 2017, the Company sold real estate to SAB for the net proceeds of $2.5 million. The cash received from the sale was used to pay down the $2.5 million loan balance on the property. As part of the sale, the Company released 547,000 shares of the Meiers common stock from the collateral for the Tronco Note. Prior to the sale, the Company held 8,814,860 common stock shares as collateral for the Tronco Note. After the sale in 2017, the Company holds 8,267,860 shares as collateral for the Tronco Note (see Note 7 – Related Party Note Receivable).

NOTE 11. INCOME TAXES

Components of income tax benefit are as follows:

Current income taxes:	For the Year Ended December 31, 2017	For the Year Ended December 31, 2016
Federal	$ -	$ -
State	-	(2,000)
Current provision for income taxes		(2,000)
Deferred provision (benefit) for income taxes:		
Federal	-	-
State	-	-
Deferred provision (benefit) for income taxes	-	-
Provision for income taxes	$	$ (2,000)

The non-current deferred tax assets and liabilities consist of the following:

Deferred tax assets:		
263A adjustment	$ 14,326	$ 21,595
Accrued expenses	-	305,024
Stock compensation	48,489	55,624
Stock option	44,922	60,970
Amortization of intangibles	2,796,867	3,791,944
Net operating loss	2,999,467	4,263,351
Others	12,660	11,887
Total non-current deferred tax assets	5,916,731	8,510,395
Deferred tax liabilities:		
Prepaid expenses	(23,301)	(24,908)
Depreciation on fixed assets	(853,089)	(1,008,413)
Total non-current deferred tax liabilities	(876,390)	(1,033,321)
Net non-current deferred tax assets/liabilities	5,040,341	7,477,074
Less: Valuation Allowance	(5,040,341)	(7,477,074)
Total deferred tax liabilities	$ -	$ -

Reconciliation of the tax rate to the U.S. federal statutory tax rate which relate to the year ended December 31, 2017 and 2016 is as follows:

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2016
Tax at federal statutory rate	$ (80,922)	$ (3,104,489)
State income taxes	-	(1,320)
Permanent differences	118,253	196,479
Change in valuation allowance	(2,436,734)	3,191,794
Other - State rate effect	(9,578)	(272,768)
Change in status	2,408,980	14,216
Other	-	(25,912)
Provision for income taxes	$ -	$ (2,000)

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the 2017 Tax Cuts and Jobs Act ("2017 Tax Reform"). The 2017 Tax Reform significantly revises the future ongoing U.S. corporate income tax by, among other things, lowering U. S. corporate income tax rates and implementing a territorial tax system.

We have reasonably estimated the effects of the 2017 Tax Reform and recorded provisional amounts in our financial statements as of December 31, 2017. This amount is primarily comprised of the re-measurement of federal net deferred tax liabilities resulting from the permanent reduction in the U.S. statutory corporate tax rate to 21% from 35%. We also recorded a corresponding decrease in our valuation allowance for the impact of the 2017 Tax Reform of approximately $5.040 million, with minimal to no effect of our current statement of operations.

We will continue to monitor additional guidance issued by the U.S. Treasury Department, the IRS, and other standard-setting bodies, so we may make adjustments to the provisional amounts (if any). However, management's opinion is that future adjustments due to the 2017 Tax Reform should not have a material impact on the company's provision for income taxes.

NOTE 12. SHARE-BASED COMPENSATION

In 2014, the Company' s Board of Directors approved that the Directors stock compensation would be included in the Employee Stock Incentive Plan ("Stock Plan") that reserves 1,724,128 shares of common stock for issuance. Equity and equity-based compensation plans are intended to make available incentives that will assist us in attracting, retaining, and motivating employees, officers, consultants, and directors by allowing them to acquire an ownership interest in our business, and, as a result, encouraging them to contribute to our success. We may provide these incentives through the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and units, and other cash-based or stock-based awards. As a result, we expect to incur non-cash, stock-based compensation expenses in future periods. The Board of Directors has frozen the 2014 Incentive Plan, such that no future grants of awards will be made and the 2014 Incentive Plan shall only remain in effect with respect to awards under that Plan outstanding as of June 15, 2015 until they expire according to their terms.

In 2015, our stockholders approved the Superior Drilling Company, Inc. 2015 Long Term Incentive Plan (the "2015 Incentive Plan"). The purpose of the 2015 Incentive Plan is to advance the interests of the Company and its stockholders by providing an incentive to attract, retain and reward persons performing services for the Company and its affiliates and by motivating such persons to contribute to the growth and profitability of the Company and our affiliates. In 2017, the Company's board of directors approved an additional 1,440,000 shares of the Company's common stock to be added to the 2015 Incentive Plan. Subject to adjustment as provided in the 2015 Incentive Plan, the maximum aggregate number of shares of the Company' s common stock that may be issued with respect to awards under the 2015 Incentive Plan is 2,992,905. As of December 31, 2017, there were 1,264,613 shares outstanding with respect to awards granted under the Company's 2015 Incentive Plan.

Restricted stock units - On November 10, 2016, the Board of Directors granted 600,000 restricted stock units from the Company' s 2015 Incentive Plan to executive management and directors based on the closing price of the Company' s common stock on the date of the grant. These restricted units will vest over a three-year period.

On December 4, 2017, the Board of Directors granted 267,443 restricted stock units from the Company's 2015 incentive plan to executive management and directors based on the closing price of the Company's common stock on the date of the grant. These restricted units will vest over a three - year period.

During 2017, the Board of Directors granted 15,135 restricted stock units from the Company's 2015 incentive plan to a contractor based on the closing price of the Company's common stock on the date of the grant. These restricted units will vest over a three - year period.

On December 4, 2017, the Board of Directors approved grants of restricted stock units to Troy and Annette Meier with an approximate value of $587,500. The Board and the Meiers decided in lieu of making such awards, the dollar value of such awards would be used to pay interest and principal on the Tronco Note (see Note 7-Related Party Note Receivable).

Compensation expense recognized for grants vesting under the 2014 Incentive Plan was approximately $142,000 and $233,000 for the years ending December 31, 2017 and 2016, respectively. Compensation expense recognized for grants of restricted stock vesting under the 2015 Incentive Plan was approximately $456,000 and $406,000 for the years ending December 31, 2017 and 2016, respectively. The Company recognized compensation expense and recorded it as share-based compensation in the consolidated statement of operations.

Total unrecognized compensation expense related to unvested restricted stock units expected to be recognized over the remaining weighted vesting period of 2.56 years equaled approximately $534,000 at December 31, 2017. These shares vest over three years.

The following table summarizes RSU activity for the years ended December 31, 2017 and 2016:

	2017		2016	
	Number of Restricted Stock Units	Weighted - Average Grant Date Fair Value	Number of Restricted Stock Units	Weighted - Average Grant Date Fair Value
Unvested RSU' s at beginning of period	702,608	$ 1.31	407,493	$ 2.48
Granted	282,578	1.27	600,000	0.97
Forfeited	-	-	(17,342)	1.62
Vested	(337,991)	1.64	(287,543)	2.22
Unvested RSU' s at end of period	647,195	$ 1.12	702,608	$ 1.31

Stock Options - On March 4, 2016, the Board of Directors granted options to acquire 78,944 shares of stock from the Company' s 2015 Incentive Plan to officers and employees based on the closing price of the Company' s common stock on the date of the grant, which was $1.73. These options vested 100% on the grant date and have a ten-year term expiring on March 4, 2026. The fair value of the vested stock options was calculated using the Black-Scholes model with a volatility and discount rate over the expected term of each employee.

On March 18, 2016, the Board of Directors granted options to acquire 81,714 shares of stock from the Company' s 2015 Incentive Plan to officers and employees based on the closing price of the Company' s common stock on the date of the grant, which was $1.67. These options vested 100% on the grant date and have a ten-year term expiring on March 18, 2026. The fair value of the vested stock options was calculated using the Black-Scholes model with a volatility and discount rate over the expected term of each employee.

On March 31, 2016, the Board of Directors granted options to acquire 148,475 shares of stock from the Company' s 2015 Incentive Plan to directors, officers and employees based on the closing price of the Company' s common stock on the date of the grant, which was $1.37. These options vested 100% on the grant date and have a ten-year term expiring on March 31, 2026. The fair value of the vested stock options was calculated using the Black-Scholes model with a volatility and discount rate over the expected term of each employee.

These three issuances of options issued during March 2016 were part of decreasing the base salary of employees and directors in exchange for salary for options plan, issued out of the 2015 Incentive Plan.

On December 5, 2016, the Board of Directors granted 5,000 stock options from the Company' s 2015 Incentive Plan to officers and employees based on the closing price of the Company' s common stock on the date of the grant, which was $1.20. These options vested 33% on the first anniversary of the grant date, 33% on the second anniversary of the grant date and 34% on third anniversary of the grant date.

On December 22, 2016, the Board of Directors granted 54,200 stock options from the Company' s 2015 Incentive Plan to officers and employees based on the closing price of the Company' s common stock on the date of the grant, which was $1.11. These options vested 33% on the first anniversary of the grant date, 33% on the second anniversary of the grant date and 34% on the third anniversary of the grant date.

On December 1, 2017, the Board of Directors granted 67,500 stock options from the Company's 2015 Incentive plan to officers and employees based on the Company's common stock on the date of grant, which was $1.30. These options vest 33% on the first anniversary of the grant date, 33% on the second anniversary of the grant date, and 34% on the third anniversary of the grant date.

Compensation expense recognized for option grants vesting under the 2015 Incentive Plan was approximately $15,000 and $145,000 for the years ending December 31, 2017 and 2016. The Company recognized compensation expense and recorded it as share-based compensation in the consolidated condensed statement of operations.

The following table summarizes stock options outstanding and changes during the years ended December 31, 2017 and 2016:

	2017			2016		
	Number of Stock Options	Weighted - Average Exercise Price		Number of Stock Options	Weighted - Average Exercise Price	
Stock options outstanding at beginning of period	425,000	$	1.52	86,500	$	1.85
Granted	67,500		1.30	368,333		1.47
Exercised	-		-	-		-
Expired	(6,701)		1.44	(10,325)		1.85
Canceled or forfeited	(26,972)		1.28	(19,508)		1.85
Stock options outstanding at end of period	458,827		1.50	425,000	$	1.52
Stock options exercised at end of period	-	$	-	-	$	-

The fair value of stock options granted to employees and directors in 2017 was estimated at the grant date using the Black-Scholes option pricing model using the following assumptions:

Expected volatility	59%
Discount rate	1.90%
Expected life (years)	3
Dividend yield	N/A

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Expected price volatility is based on the historical volatility of our common stock. Changes in the subjective input assumptions can materially affect the fair value estimate. The expected term of the options granted is derived from the output of the option pricing model and represents the period of time that the options granted are expected to be outstanding. The discount rate for the periods within the contractual term of the option is based on the U.S. Treasury yield curve in effect at the date of grant.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None

ITEM 9A. CONTROLS AND PROCEDURES

Conclusions Regarding the Effectiveness of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a- 15(e) and 15d- 15(e) under the Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Annual Report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of December 31, 2017.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). The Company' s internal control over financial reporting is designed 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.

Under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as set forth in Internal Control - Integrated Framework. Based on our evaluation under that framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2017.

Remediation of Previously Disclosed Material Weakness in Internal Control Over Financial Reporting

As previously disclosed in our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017, management identified material weaknesses in internal control over lack of staffing and appropriate accounting expertise within its accounting department. Management believed the lack of accounting and financial personnel amounted to a material weakness in its internal control over financial reporting and their ability to prepare financial statements and disclosures, and a lack of accounting expertise to appropriately apply GAAP for complex and non-routine transactions. Management concluded that our disclosure controls and procedures were not effective as of September 30, 2017 because of this material weakness.

To remediate this identified material weakness and to enhance the Company's overall financial control environment, management implemented the following beginning in January 2017:

- Management enhanced the formality and rigor of the reconciliation procedures and the evaluation of certain accounts, transactions and controls.
- Management improved the lack of staffing and appropriate accounting expertise by hiring additional personnel with requisite expertise to improve financial reporting expertise within its accounting department.

Changes in Internal Controls over Financial Reporting

The aforementioned changes in our internal control over financial reporting had operated for sufficient time to be considered remediated during the quarter ended December 31, 2017, and have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Internal Controls and Procedures

This Annual Report does not include a report of management' s assessment regarding internal control over financial reporting or an attestation report of the Company's registered public accounting firm due to a transaction period established by the rules of the Securities and Exchange Commission for newly public companies, and will not be required to include an attestation report for so for as long as we are an "emerging growth company" pursuant to the provisions of the JOBS Act.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The following table sets forth information concerning our directors, executive officers and significant employees as of December 31, 2017:

Name	Age	Position
G. Troy Meier	56	Board Chair, Class III Director and Chief Executive Officer
Annette Meier	54	Class II Director, President and Chief Operating Officer
James R.Lines	56	Class II Director
Robert Iversen	63	Class III Director
Michael V. Ronca	64	Class I Director
Christopher D. Cashion	62	Chief Financial Officer

G. Troy Meier. Mr. Meier has served as our Board Chair, one of our Class III Directors and Chief Executive Officer since 2014. Mr. Meier has over 35 years of experience in the oil and gas industry. Mr. Meier and co-founder Annette Meier founded our predecessor company in 1999. Since that time through the present, Mr. Meier has spearheaded the development of our new manufacturing business and our research and development activities. As our chief innovator, Mr. Meier has been responsible for not only inventing, but also designing, engineering and manufacturing industry specific machinery and processes and has several patent applications pending. Previously, in 1993, Mr. Meier started our predecessor company, Rocky Mountain Diamond, after thirteen years with Christensen Diamond and its successors. At Christensen Diamond, Mr. Meier established overseas factories in Ireland, Venezuela and China. In addition, Mr. Meier designed tools to improve efficiency both in the plants and in the field. Previously, Mr. Meier had been Christensen Diamond's first drill bit fabricator specialist and by age 28, was made the Northern Region design engineer responsible for designing drill bits, core systems, centric bits, nozzle systems and related products. As the co-founder, Mr. Meier for the last six years has focused 100% of his attention on our development and growth.

Mr. Meier was selected to serve on our Board of Directors and as the Board Chair because of his extensive industry experience, his role as our co-founder and chief innovator, and his and Ms. Meier's majority shareholding. Mr. Meier is married to Annette Meier.

Annette Meier. Ms. Meier has served as our Class II Director, President and Chief Operating Officer since 2014. Ms. Meier has over 22 years of experience in the oil and gas industry. Since our inception in 1999 to the present, Ms. Meier has managed all of our day-to-day operations and business. In 2008, Ms. Meier envisioned and co-created "CHUCK," our custom shop management and inventory program software. Ms. Meier was also instrumental to the development of the "nucleus grinding system" that is currently utilized in our new manufacturing processes. In 2005, Ms. Meier served as the creator and chief architect of the Ropers Business Park, the state-of-the-art campus that houses our remanufacturing and new manufacturing facilities in Vernal, Utah. Ms. Meier's understanding of our business processes resulted in her designing and facilitating the SMART FACILITY layout, process and control systems within the manufacturing plant. Previously, in 1993, Ms. Meier co-founded and managed our predecessor company, Rocky Mountain Diamond. As the co-founder, Ms. Meier for the last six years has focused 100% of her attention on our development and growth. In 2015, Ms. Meier was elected to serve on the Governors Office of Economic Development Board (GOED) for the state of Utah. Ms. Meier has been the recipient of numerous state, local and industry awards over the years that recognized her for innovation and leadership.

Ms. Meier was selected to serve on our Board of Directors because of her extensive industry experience, her role as our co-founder and substantial knowledge of our day-to-day operations, and her and Mr. Meier's majority shareholding. Ms. Meier is married to G. Troy Meier.

James Lines. Mr. Lines has served as a Class II director since December 2016, and is Chairman of the Audit Committee. He also serves on the Compensation Committee and the Nominating and Governance Committee of our Board of Directors. Mr. Lines has served as President and Chief Executive Officer of Graham Corporation since January 2008. Graham designs, manufactures and sells critical equipment for the energy, defense and chemical/petrochemical industries. Previously, Mr. Lines served as Graham's President and Chief Operating Officer since June 2006. Mr. Lines has served Graham in various capacities since 1984, including Vice President and General Manager, Vice President of Engineering and Vice President of Sales and Marketing. Prior to joining its management team, he served Graham as an application engineer and sales engineer as well as a product supervisor. Mr. Lines holds a B.S. in Aerospace Engineering from the State University of New York at Buffalo.

Mr. Lines was selected by the Board of Directors as a nominee due to his extensive experience in growing a midsize business, as well as his background in manufacturing and engineering in the energy industry.

Robert E. Iversen. Mr. Iversen has served as a Class III Director since 2014, Lead Director since December 2016 and has been the Chairman of the Compensation Committee since joining the Board. He has also been a member of the Audit Committee and the Nominating and Governance Committee since 2014. Mr. Iversen has broad executive and operational management experience in the sales, service, and manufacturing sectors of the global upstream oil and gas industry. Currently, Mr. Iversen is a partner and president of CTI Energy Services, LLC of Springtown, Texas, a drilling services company he started in 2011. Mr. Iversen has strong experience in the development and commercialization of new technology products and in company marketing and advertising programs. Previously, Mr. Iversen collaborated with G. Troy Meier as a partner and senior vice president in Tronco Energy Services from 2008 to 2011. From 2002 to 2008, he served as President and other C-level positions with Ulterra Drilling Technologies (Fort Worth, Texas), INRG (Houston, Texas) and NQL Energy Services (Nisku, Alberta). In 1994, Mr. Iversen and partners purchased the U.S. division of DBS Stratabit, a small, underperforming diamond bit company, where, as President until 2002, he built it into a top tier provider of high technology products. Mr. Iversen previously held numerous executive positions in marketing, technology and engineering at various divisions of the Baker Hughes companies, and their predecessors, from 1980 through 1994. Mr. Iversen holds a Bachelor of Science Petroleum Engineering, Montana Tech, as well as numerous technical and executive post-graduate certifications.

Mr. Iversen was selected to serve on our Board of Directors because of his strong experience with start-up companies and the development and commercialization of new technology products. Mr. Iversen further brings his broad executive and operational management expertise in the oil and gas industry.

Michael Ronca. Mr. Ronca has served as a Class I director since 2014, and is Chairman of the Nominating and Governance Committee. He also serves on the Audit Committee and Compensation Committee of our Board of Directors. Mr. Ronca has over 30 years of experience as an executive building and monetizing businesses. Since 2009, Mr. Ronca has served as President and Chief Executive Officer of EagleRidge Energy, LLC, an oil and gas exploration and development company active in north and central Texas. Previously, he served as Chairman of BAS Oil & Gas, a private company active in developing reserves in the Barnett Shale trend in North Texas. Mr. Ronca has a long history of participating in the energy industry starting with his time at Tenneco Inc., where he served as the Assistant to the Chairman and CEO and later established a new oil and gas division which operated throughout the offshore and onshore Gulf Coast region. He later executed a leveraged buyout with the backing of private equity and soon after took the company public on the NYSE under the name of Domain Energy where he also served as President and CEO. In 1998, Domain Energy merged into Range Resources where Mr. Ronca served as Chief Operating Officer for several years. Mr. Ronca has a BS degree from Villanova University and an MBA in Finance from Drexel University.

Mr. Ronca was selected to serve on our Board of Directors because of his strong experience within the oil and gas industry.

Christopher D. Cashion. Mr. Cashion has over 35 years of experience in the fields of accounting, finance and private equity. Mr. Cashion joined us in March 2014 to serve as our Chief Financial Officer on a full-time basis. Previously, Mr. Cashion worked as an independent financial and business consultant since 1998. From January 2013 through February 2014, Mr. Cashion was the Chief Financial Officer for Surefire Industries USA LLC, a Houston-based hydraulic fracturing equipment manufacturing company. Previously, from January 2005 to August 2012, Mr. Cashion provided chief financial officer services to five start-up portfolio companies owned by the Shell Technology Venture Fund, a private equity fund. Prior to his tenure with the start-up portfolio companies, Mr. Cashion worked for the First Reserve Corporation, a private equity firm, from 1991 to 1993. Mr. Cashion worked with Baker Hughes, Inc. from 1981 to 1991 and with Ernst & Young from 1977 to 1981. Mr. Cashion holds a B.S. in Accounting from the University of Tennessee and an M.B.A. in Finance and International Business from the University of Houston. Mr. Cashion has been a Certified Public Accountant since 1979.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) requires our directors and executive officers, and persons who own more than 10% of our equity securities, to file initial reports of ownership and reports of changes in ownership of our common stock with the SEC and to furnish us a copy of each filed report.

To our knowledge, based solely on review of the copies of such reports furnished to us and written representations that no other reports were required, during the fiscal year ended December 31, 2016, our officers, directors and greater than 10% beneficial owners timely filed all required Section 16(a) reports.

Material Changes in Director Nominations Process

There have not been any material changes to the procedures by which shareholders may recommend nominees to our Board.

Audit Committee

Our Audit Committee is comprised solely of "independent" directors, as defined under and required by Rule 10A-3 of the Exchange Act and the NYSE MKT rules. Our Audit Committee is directly responsible for, among other things, the appointment, compensation, retention and oversight of our independent registered public accounting firm. The oversight of our independent public accounting firm includes reviewing the plans and results of the audit engagement with the firm, approving any additional professional services provided by the firm and reviewing the independence of the firm. Commencing with our first report on internal controls over financial reporting, the Committee will be responsible for discussing the effectiveness of the internal controls over financial reporting with our independent registered public accounting firm and relevant financial management. The members of this Committee are Messrs. Iversen, Ronca, and Lines with Mr. Lines serving as committee chair. Our Board of Directors has determined that Mr. Lines qualifies as an "audit committee financial expert," as defined by the rules under the Exchange Act. The Audit Committee held five meetings in 2017.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all of our employees, as well as each member of our Board. The Code of Business Conduct and Ethics is available under "Corporate Governance" at the "Investors" section of our website at www.sdpi.com. We intend to post amendments to or waivers from the Code of Business Conduct and Ethics (to the extent applicable to our principal executive officer, principal financial officer or principal accounting officer) at this location on our website.

Corporate Governance

The charters for our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee and our Code of Business Conduct and Ethics are available under "Corporate Governance" at the "Investors" section of our website at www.sdpi.com. Copies of these documents are also available in print form at no charge by sending a request to Christopher Cashion, our Chief Financial Officer, Superior Drilling Products, Inc., 1583 South 1700 East, Vernal, Utah 84078, telephone (435) 789-0594.

ITEM 11. EXECUTIVE COMPENSATION.

Summary Compensation Table

The following table provides information concerning compensation paid or accrued during the fiscal years ended December 31, 2017 and 2016, to our principal executive officer, our chief operating officer and our principal financial officer, to whom we sometimes refer together as our "named executive officers."

Name and Principal Position	Year	Salary	Bonus	Stock Awards (6)	Option Awards	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
G. Troy Meier	2017	$332,500(1)	$701,219(3)	$ —	$ —	$ —	$ 12,271(10)	$1,045,990
Chief Executive Officer	2016	$297,135(2)	$ —	$200,447(8)	$35,364(9)	$ —	$ 9,971(10)	$ 542,917
Annette Meier	2017	$297,500(1)	$584,906(4)	$ —	$ —	$ —	$ 7,934(11)	$ 890,340
President and Chief Operating Officer	2016	$266,173(2)	$ —	$149,457(8)	$31,266(9)	$ —	$ 3,989(11)	$ 450,885
Christopher Cashion	2017	$210,000(1)	$ 97,031(5)	$120,000(7)	$ —	$ —	$ 12,003(12)	$ 439,034
Chief Financial Officer	2016	$188,769(2)	$ —	$ 73,849(8)	$21,231(9)	$ —	$ 9,678(12)	$ 293,527

(1) For 2017, Mr. Meier, Ms. Meier, and Mr. Cashion's annual base salaries were $475,000, $425,000 and $300,000, respectively, and were reduced for the entire year by 30% due to the downturn in the Oil and Gas Industry.

(2) For 2016, Mr. Meier, Ms. Meier, and Mr. Cashion's annual base salaries were $475,000, $425,000 and $300,000, respectively, and were reduced for the entire year by 30% due to the downturn in the Oil and Gas Industry. Additionally, Mr. Meier, Ms. Meier, and Mr. Cashion received option awards in lieu of cash as part of their salary for 2016.

(3) Relates to $368,719 bonus earned in 2014 and paid in 2017. Also relates to $332,500 bonus made in 2017 in lieu of granting annual incentive compensation awards. Both bonuses were used to pay down interest and principal on related party note receivable. See Note 7 - Related Party Note Receivable to our consolidated financial statements included herein.

(4) Relates to $329,906 bonus earned in 2014 and paid in 2017. Also relates to $255,000 bonus made in 2017 in lieu of granting annual incentive compensation awards. Both bonuses were used to pay down interest and principal on related party note receivable. See Note 7 - Related Party Note Receivable to our consolidated financial statements included herein.

(5) Relates to bonus earned in 2014 and paid in 2017.

(6) Reflects the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. See Note 12 Share-Based Compensation to our consolidated financial statements included herein.

(7) The grant date fair value for restricted stock awards in 2017 was based on the closing price of our common stock on the grant date (December 4, 2017), which was $1.29 per share. The restricted stock awards will vest in accordance with the following vesting schedule: 33 1/3% of the shares of restricted common stock will vest on December 4, 2018, 33 1/3% of the shares of restricted common stock will vest on December 4, 2019 and 33 1/3% of the shares of restricted common stock will vest on December 4, 2020.

(8) The grant date fair value for restricted stock awards in 2016 was based on the closing price of our common stock on the grant date (November 10, 2016), which was $0.97 per share. The restricted stock awards will vest in accordance with the following vesting schedule: 33 1/3% of the shares of restricted common stock vested on November 10, 2017, 33 1/3% of the shares of restricted common stock will vest on November 10, 2018 and 33 1/3% of the shares of restricted common stock will vest on November 10, 2019.

(9) During March 2016, each of the named executive officers received three awards of stock options in lieu of base salary. The grant date fair value for the stock option awards was based on the closing price of our common stock on each grant date: a) March 4, 2016, which was $1.73 per share; b) March 18, 2016, which was $1.67 per share; and c) March 31, 2016, which was $1.37 per share. All options vested 100% on the grant date and have a ten year term expiring on March 4, 2026, March 18, 2026 and March 31, 2026, respectively. The fair value of the vested stock options were calculated using the Black-Scholes model with a volatility and discount rate over the expected term of each employee.

(10) Represents certain company paid health care costs for G. Troy and Annette Meier, life insurance costs, and personal use of a company vehicle.

(11) Represents life insurance costs and personal use of a company vehicle.

(12) Represents certain company paid health care costs and life insurance costs.

Narrative Disclosure to Summary Compensation Table

See the footnotes to the Summary Compensation Table and "Employment Agreements and Potential Benefits Upon Termination or Change-in-Control" for narrative disclosure with respect to the table, as well as the below discussion.

Employment Agreements and Potential Benefits Upon Termination or Change-in-Control

In connection with our initial public offering, we planned to enter into employment agreements with each of our named executive officers, and the forms of those agreements were filed with the SEC as exhibits to our registration statement on Form S-1. However, management and the Board have continued to discuss and negotiate the final terms of those agreements and as of the date hereof, the agreements have not been executed. As a result, none of the named executive officers currently has a contractual right to any of the benefits described below. The employment agreements to be entered into with our named executive officers will provide for, among other things, the payment of base salary, reimbursement of certain costs and expenses, and for each named executive officer's participation in our bonus plan and employee benefit plans.

With the exception of G. Troy Meier's and Annette Meier's employment agreements, each agreement will provide for a term of employment commencing on the date of the agreement and continuing (a) until we or the executive provide 30-days written notice of termination to the other party, (b) upon termination by us for cause, or (c) upon the executive's death or disability. Except with respect to certain items of compensation, as described below, the terms of each agreement will be similar in all material respects.

In addition to the base salaries shown above,

- Mr. Meier's form of employment agreement provides for an annual review by our Board of Directors, and a performance bonus of 70% to 110% of his base salary based on criteria to be established by the Compensation Committee and participate in our incentive plans.

- Ms. Meier's form of employment agreement provides for an annual review by our Board of Directors, and a performance bonus of 70% to 110% of her base salary based on criteria to be established by the Compensation Committee and participate in our incentive plans.

- Mr. Cashion's form of employment agreement entitles him to receive a performance bonus based on criteria established by the Compensation Committee, and to participate in our incentive plans.

Each of the Meiers' employment agreements will provide for customary and usual fringe benefits generally available to our executive officers, and reimbursement for reasonable out-of-pocket business expenses, including the use of a company vehicle.

Change of Control Provisions. Each named executive officer's employment agreement will also provide that in the event of a Change in Control (as defined below), during the term of executive's employment, (a) we are obligated to pay such executive a single lump sum payment, within 30 days of the termination of such executive officer's employment, equal to one year salary, and (b) the executive's equity awards, if any, shall immediately vest. "Change in Control" means approval by our stockholders of:

(1) (a) a reorganization, merger, consolidation or other form of corporate transaction or series of transactions, in each case, with respect to which persons who were our stockholders immediately prior to such transaction do not, immediately thereafter, own more than 50% of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated company's then outstanding voting securities, in substantially the same proportions as their ownership immediately prior to such transaction, (b) our liquidation or dissolution, or (c) the sale of all or substantially all of our assets (unless such reorganization, merger, consolidation or other corporate transaction, liquidation, dissolution or sale is subsequently abandoned); or

(2) the acquisition in a transaction or series or transactions by any person, entity or "group", within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act, of more than 50% of either the then outstanding shares of common stock or the combined voting power of our then outstanding voting securities entitled to vote generally in the election of directors (a "Controlling Interest"), excluding any acquisitions by (a) us or our subsidiaries, (b) any person, entity or "group" that as of the date of the amendments to the employment agreements owns beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act of a Controlling Interest, or (c) any of our employee benefit plans.

G. Troy Meier's and Annette Meier's employment agreements will provide that (a) the non-competition covenant does not apply following the termination of employment if their employment is terminated without cause or for good reason, (b) the non-solicitation of employees covenant applies with respect to any current employee or any former employee who was employed by us within the prior six months, and (c) the non-solicitation of customers covenant applies to all actual or targeted prospective clients of ours to the extent solicited on behalf of any person or entity in connection with any business competitive with our business.

As consideration and compensation to our executive officers for, and subject to each executive officer's adherence to, the above covenants and limitations, we have agreed to continue to pay the executive officer's base salary in the same manner as if they continued to be employed by us during the one-year non-competition period following the executive officer's termination.

Payments on Termination. Except as noted above, upon termination of employment under these agreements, (a) we are only required to pay each executive officer that portion of their respective annual base salary that have accrued and remain unpaid through the effective date of the executive officer's termination, and (b) we have no further obligation whatsoever to the executive officer other than reimbursement of previously incurred expenses which are appropriately reimbursable under our expense reimbursement policy. However, if employment termination is due to the executive's death, we will continue to pay the executive's annual base salary for the period through the end of the calendar month in which death occurs to the executive's estate.

Outstanding Equity Awards for Year Ended December 31, 2017

The following table shows the number of shares covered by exercisable and unexercisable options awards and stock awards held by our named executive officers on December 31, 2017 that were made under the 2015 Long Term Incentive Plan

	Option Awards					Stock Awards			
Name (a)	Number of Securities Underlying Unexercised Options (#) Exercisable (b) (4)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (d)	Option Exercise Price ($) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested ($) (h) (1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (j)
G. Troy Meier	—	19,980	—	1.73	03/04/2026				
	—	20,681	—	1.67	03/18/2026				
	25,081	—	—	1.37	03/31/2026				
						137,833	$133,698(2)	—	—
Annette Meier	—	17,698	—	1.73	03/04/2026				
	—	18,319	—	1.67	03/18/2026				
	22,217	—	—	1.37	03/31/2026				
						102,771	$ 99,688(2)	—	—
Christopher Cashion	—	11,995	—	1.73	03/04/2026				
	—	12,416	—	1.67	03/18/2026				
	15,057	—	—	1.37	03/31/2026				
						50,782	$ 49,259(2)	—	—
						93,023	$120,000(3)	—	—

(1) See Note 12 – Share-Based Compensation in the consolidated financial statements included herein.

(2) The grant date fair value for restricted stock awards is based on the closing price of our common stock on the grant date (November 10, 2016), which was $0.97 per share. The restricted stock awards have the following vesting schedule: 33 1/3% of the shares of restricted common stock vested on November 10, 2017, 33 1/3% of the shares of restricted common stock will vest on November 10, 2018 and 33 1/3% of the shares of restricted common stock will vest on November 10, 2019.

(3) The grant date fair value for restricted stock awards is based on the closing price of our common stock on the grant date (December 4, 2017), which was $1.29 per share. The restricted stock awards will vest in accordance with the following vesting schedule: 33 1/3% of the shares of restricted common stock will vest on December 4, 2018, 33 1/3% of the shares of restricted common stock will vest on December 4, 2019 and 33 1/3% of the shares of restricted common stock will vest on December 4, 2020.

(4) During March 2016, each of the named executive officers agreed to receive awards of stock options in lieu of base salary. The grant date fair value for the stock option awards was based on the closing price of our common stock on the grant date of a) March 4, 2016, which was $1.73 per share; b) March 18, 2016, which was $1.67 per share; and c) March 31, 2016, which was $1.37 per share. All options vested 100% on the grant date and have a ten year term expiring on March 4, 2026, March 18, 2026 and March 31, 2026, respectively. The fair value of the vested stock options were calculated using the Black-Scholes model with a volatility and discount rate over the expected term of each employee.

Director Compensation

Our employee directors are not separately compensated for their service as a director. In 2017, each of our non-employee directors received 58,140 shares of restricted common stock for his service as a director. In addition to receiving shares of stock, our non-employee directors received the following cash fees: Mr. Iversen, $76,831; Mr. Ronca, $52,500; Mr. Lines $45,851; and Mr. Cryan, $17,668. The members of our Board of Directors are entitled to reimbursement of their expenses incurred in connection with the attendance at Board and committee meetings in accordance with Company policy.

The following table summarizes the annual compensation for our non-employee directors during 2017.

Name (a)	Fees Earned or Paid in Cash (b)	Stock Awards (c) (1)	Option Awards (d) (2)	Non-Equity Incentive Plan Compensation (e)	Nonqualified Deferred Compensation Earnings (f)	All Other Compensation (g)	Total (h)
Terence Cryan (2)	$17,668	—	—	—	—	—	$ 17,668
James R.Lines (2)	$45,851	$75,000	—	—	—	—	$120,851
Robert Iversen	$76,831	$75,000	—	—	—	—	$151,831
Michael V. Ronca	$52,500	$75,000	—	—	—	—	$127,500

(1) Reflects the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 of awards granted by the Board of Directors. See Note 12 Share-Based Compensation in the consolidated financial statements included herein. The grant date fair value for restricted stock awards is based on the closing price of our common stock on the grant date (December 4, 2017), which was $1.29 per share, respectively. As of December 31, 2017, Mr. Iverson and Mr. Ronca each held an aggregate of 155,004 outstanding shares of restricted stock and Mr. Lines held an aggregate of 58,140 outstanding shares of restricted stock. Mr. Iverson's and Mr. Ronca's restricted stock awards have the following vesting schedule: a) for the shares granted on August 10, 2015: 33 1/3% of the shares of restricted common stock vested on the first anniversary of the date of grant, 33 1/3% of the shares of restricted common stock vested on the second anniversary of the date of grant and 33 1/3% of the shares of restricted common stock will vest on the third anniversary of the date of grant , b) for the shares granted on November 10, 2016: 33 1/3% of the shares of restricted common stock vested on the first anniversary of the date of grant, 33 1/3% of the shares of restricted common stock will vest on the second anniversary of the date of grant and 33 1/3% of the shares of restricted common stock will vest on the third anniversary of the date of grant in each case, so long as the director continues to serve on the Board through such date, and c) for the shares granted on December 4, 2017: 33 1/3% of the shares of restricted common stock will vest on the first anniversary of the date of grant, 33 1/3% of the shares of restricted common stock will vest on the second anniversary of the date of grant and 33 1/3% of the shares of restricted common stock will vest on the third anniversary of the date of grant in each case, so long as the director continues to serve on the Board through such date. Mr. Lines restricted stock awards will vest in accordance with the following vesting schedule: for the shares granted on December 4, 2017: 33 1/3% of the shares of restricted common stock will vest on the first anniversary of the date of grant, 33 1/3% of the shares of restricted common stock will vest on the second anniversary of the date of grant and 33 1/3% of the shares of restricted common stock will vest on the third anniversary of the date of grant in each case, so long as the director continues to serve on the Board through such date.

(2) Mr. Cryan completed his Board tenure on December 15, 2016 and Mr. Lines was elected to the Board on December 15, 2016.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth information with respect to the beneficial ownership of our common stock as of March 15, 2018, by:

- each person who is known by us to beneficially own 5% or more of the outstanding class of our capital stock;
- each member of the Board;
- each of our executive officers; and
- all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. To our knowledge, each of the holders of capital stock listed below has sole voting and investment power as to the capital stock owned unless otherwise noted.

Name and Address of Beneficial Owner	Numbers of Shares of Common Stock Beneficially Owned	% of Common Stock Outstanding (1)
FMR LLC (2) 245 Summer Street Boston, Massachusetts 02210	2,409,569	9.8%
Reid Walker (3) 3953 Maple Avenue, Suite 150 Dallas, Texas 75219	1,689,400	6.9%
G. Troy Meier (4)	10,275,845	41.9%
Annette Meier (5)	10,195,770	41.6%
Christopher D. Cashion (6), (12)	318,626	1.3%
James R.Lines (8), (9)	71,140	*
Robert Iversen (7), (10)	215,525	*
Michael V. Ronca (7), (11)	167,052	*
Executive Officers and Directors as a group (6 persons)	11,048,188	45.1%

* Less than 1%

(1) Based on 24,535,139 shares outstanding as of March 15, 2018. Unless otherwise noted, the address for the holder is 1583 South 1700 East, Vernal, Utah 84078.

(2) Based on a Schedule 13G/A filed with the SEC on February 13, 2018 by FMR LLC, Fidelity Small Cap Growth Fund, Select Energy Services Portfolio, Edward C. Johnson III and Abigail P. Johnson. Mr. Johnson is a Director and the Chairman of FMR LLC and Ms. Johnson is a Director, the Vice Chairman, the Chief Executive Officer and the President of FMR LLC. Members of the family of Mr. Johnson, including Ms. Johnson, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other Series B shareholders have entered into a shareholders' voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and the execution of the shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC.

Neither FMR LLC nor Mr. Johnson nor Ms. Johnson has the sole power to vote or direct the voting of the shares owned directly by the various investment companies registered under the Investment Company Act ("Fidelity Funds") advised by Fidelity Management & Research Company, a wholly owned subsidiary of FMR LLC, which power resides with the Fidelity Funds' Boards of Trustees. Fidelity Management & Research Company carries out the voting of the shares under written guidelines established by the Fidelity Funds' Boards of Trustees.

(3) Based on a Schedule 13D/A filed with the SEC on October 12, 2016 by Reid Walker, D4D LLC, a Texas limited liability company, and Hard 4 Holdings, LLC, a Texas limited liability company of which Mr. Walker is the manager and 100% beneficial owner. Of the total 1,657,143 shares, 1,114,286 shares of common stock and a warrant exercisable for 357,143 shares of common stock held by Hard 4 Holdings, LLC, which Mr. Walker shares dispositive or voting power over, and Mr. Walker personally owns 185,714 additional shares of the Company.

(4) Includes (i) 5,641,510 shares of common stock indirectly owned through his ownership in Meier Family Holding Company, LLC, and (ii) 3,173,350 shares of common stock indirectly owned through his ownership in Meier Management Company, LLC. Also includes 163,813 shares of vested restricted common stock, 137,833 shares of unvested restricted common stock, and 65,742 shares issuable pursuant to vested stock options. 50% of the unvested restricted stock will vest on November 10, 2018, and the balance will vest on November 10, 2019.

(5) Includes (i) 5,641,510 shares of common stock indirectly owned through her ownership in Meier Family Holding Company, LLC, and (ii) 3,173,350 shares of common stock indirectly owned through her ownership in Meier Management Company, LLC. Also includes 126,308 shares of vested restricted common stock, 102,771 shares of unvested restricted common stock, and 58,234 shares issuable pursuant to vested stock options. 50% of the unvested restricted stock will vest on November 10, 2018, and the balance will vest on November 10, 2019.

(6) Includes 76,135 of restricted common stock that vests in accordance with the following vesting schedule: 33 1/3% of the shares of restricted common stock vested on November 10, 2017, 33 1/3% of the shares of restricted common stock will vest on November 10, 2018, and 33 1/3% of the shares of restricted common stock will vest on November 10, 2019. Also includes 93,023 of restricted common stock that vests in accordance with the following vesting schedule: 33 1/3% of the shares of restricted common stock will vest on December 4, 2018, 33 1/3% of the shares of restricted common stock will vest on December 4, 2019, and 33 1/3% of the shares of restricted common stock will vest on December 4, 2020.

(7) Includes (a) 23,734 shares of restricted common stock that vests in accordance with the following vesting schedule: 33 1/3% of the shares of restricted common stock vested August 10, 2016, 33 1/3% of the shares of restricted common stock vested on August 10, 2017 and 33 1/3% of the shares of restricted common stock will vest on August 10, 2018 and (b) 54,380 of restricted common stock that vests in accordance with the following vesting schedule: 33 1/3% of the shares of restricted common stock vested on November 10, 2017, 33 1/3% of the shares of restricted common stock will vest on November 10, 2018, and 33 1/3% of the shares of restricted common stock will vest on November 10, 2019. Also includes 58,140 of restricted common stock that vests in accordance with the following vesting schedule: 33 1/3% of the shares of restricted common stock will vest on December 4, 2018, 33 1/3% of the shares of restricted common stock will vest on December 4, 2019, and 33 1/3% of the shares of restricted common stock will vest on December 4, 2020.

(8) Includes 58,140 of restricted common stock that vests in accordance with the following vesting schedule: 33 1/3% of the shares of restricted common stock will vest on December 4, 2018, 33 1/3% of the shares of restricted common stock will vest on December 4, 2019, and 33 1/3% of the shares of restricted common stock will vest on December 4, 2020.

(9) The address of Mr. Lines is 1110 Ransom Road, Lancaster, New York 14086.

(10) The address of Mr. Iversen is 4928 FM 1374 Road, Huntsville, Texas 77340.

(11) The address of Mr. Ronca is 17318 Chagall Lane, Spring, Texas 77379.

(12) The address of Mr. Cashion is 20615 Sundance Springs Lane, Spring, Texas 77379

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Certain Relationships and Related Party Transactions

Notes Payable

In 2014, the Company issued notes payable to related parties in the amount of $2 million. The notes bear interest at 7.5% and were scheduled to mature on January 2, 2017. The Company did not pay these notes upon maturity as the Company and the related parties informally agreed to offset these notes payable with the related-party note receivable. During the year, the Company made principal payments and interest payments of $80,000 related to the notes payable. Additionally, the Company applied $207,942 in principal and interest due to the Company on the related party note receivable (see Note 6 – Related Party Note Receivable) during the year ended December 31, 2017 and reduced the balance to $0 as of December 31, 2017.

Superior Auto Body

On January 1, 2016, the Company completed the divestiture of our interest in Superior Auto Body and Paint, LLC, by selling the remaining ownership interests in the business operations to a third party. The Company received $101,400 in proceeds. The Company leased certain of its facilities to Superior Auto Body ("SAB"). We recorded rental income from the related party in the amounts of $199,902 for the years ended December 31, 2016 and 2015. As discussed below, in 2017, we sold the facilities that had been leased to SAB and accordingly, we will no longer receive this rental income.

In 2016, the Company recognized an impairment loss of $840,380 related to SAB. This loss was recorded in 2016 and the asset was classified as held for sale. In February 2017, the Company sold real estate to SAB for the net proceeds of $2.5 million. The cash received from the sale was used to pay down the $2.5 million loan balance on the property. As part of the sale, the Company released 547,000 shares of the Meiers common stock from the collateral for the Tronco Note. Prior to the sale, the Company held 8,814,860 common stock shares as collateral for the Tronco Note. After the sale in 2017, the Company holds 8,267,860 shares as collateral for the Tronco Note (see Note 7 – Related Party Note Receivable).

Policies and Procedures for Related Party Transactions

Any request for us to enter into a transaction with an executive officer, director, principal stockholder or any of such persons' immediate family members or affiliates, in which the amount involved exceeds $120,000, must first be presented to our audit committee for review, consideration and approval. All of our directors and executive officers are required to report to the audit committee chair any such related person transaction. In approving or rejecting the proposed agreement, our audit committee shall consider the facts and circumstances available and deemed relevant to the audit committee, including, but not limited to, costs and benefits to us, the terms of the transaction, the availability of other sources for comparable services or products, and, if applicable, the impact on a director's independence. Our audit committee shall approve only those agreements that, in light of known circumstances, are in, or are not inconsistent with, our best interests and the best interests of our stockholders, as our audit committee determines in the good faith exercise of its discretion. If we should discover related person transactions that have not been approved, the audit committee will be notified and will determine the appropriate action, including ratification, rescission or amendment of the transaction.

Director Independence

The Board has determined that the following members are independent within the meaning of the listing rules of the NYSE MKT: James Lines, Robert Iversen and Michael Ronca

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Independent Registered Public Accountant Fees

The following table sets forth the fees incurred by us in fiscal years 2017 and 2016 for services performed by Moss Adams LLP and Hein & Associates, LLP:

	December 31, 2017		December 31, 2016	
Audit Fees(1)	$	128,628	$	272,339
Audit-Related Fees		—		—
Tax Fees		—		—
All Other Fees (2)		81,811		80,798
Total	$	210,439	$	353,137

(1) Hein & Associates, LLP incurred $24,465 in audit fees and Moss Adams LLP incurred $104,163 in audit fees for the year ended December 31, 2017. All audit fees were incurred by Hein & Associates, LLP for the year ended December 31, 2016.

(2) All fees were incurred by Hein & Associates, LLP.

Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services of Independent Registered Public Accountants

The charter of the Audit Committee and its pre-approval policy require that the Audit Committee review and pre-approve the Company's independent registered public accounting firm's fees for audit, audit-related, tax and other services. The Chairman of the Audit Committee has the authority to grant pre-approvals, provided such approvals are within the pre-approval policy and are presented to the Audit Committee at a subsequent meeting. For the year ended December 31, 2017, the Audit Committee approved 100% of the services described above under the captions "Audit Fees."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Report:

(1) Financial Statements – see Index to Financial Statements appearing on page 44

(2) Financial Statement Schedules – None

(3) Exhibits –

Exhibit No.	Description
2.1	Agreement and Plan of Reorganization, dated December 15, 2013, between Meier Management Company, LLC, Meier Family Holding Company, LLC, and SD Company, Inc. (incorporated by reference to Exhibit 2.1 to the Registrant’ s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).
3.1	Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant’ s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014S-1).
3.2	Articles of Amendment to Articles of Incorporation (name change) (incorporated by reference to Exhibit 3.5 to Amendment No. 2 to the Registrant’ s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on May 6, 2014).
3.3	Bylaws with Exhibit A (incorporated by reference to Exhibit 3.3 to the Registrant’ s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).
10.1	Form of Director and Officer Indemnification Agreement (incorporated by reference to Exhibit 10.1 to the Registrant’ s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).
10.2	2014 Employee Stock Incentive Plan with forms of award agreements as Exhibits (incorporated by reference to Exhibit 10.2 to the Registrant’ s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).†
10.3	Form of Executive Employment Agreement between SD Company, Inc. and Troy Meier, as CEO (incorporated by reference to Exhibit 10.3 to Amendment No. 1 to the Registrant’ s Registration Statement on Form S- (Registration No. 333- 195085) filed with the SEC on April 30, 2014).†
10.4	Form of Executive Employment Agreement between SD Company, Inc. and Annette Meier, as President (incorporated by reference to Exhibit 10.4 to Amendment No. 1 to the Registrant’ s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 30, 2014).†
10.5	Form of Executive Employment Agreement between SD Company, Inc. and Christopher Cashion, as CFO (incorporated by reference to Exhibit 10.5 to Amendment No. 1 to the Registrant’ s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 30, 2014).†
10.6	Vendor Agreement between Superior Drilling Products, LLC, and Hughes Christensen, a division of Baker Hughes Oilfield Operations, Inc., dated October 28, 2013 with Exhibit A (incorporated by reference to Exhibit 10.6 to the Registrant’ s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).
10.7	Commercial Lease, dated August 15, 2013, between Meier Properties, Series LLC, as landlord, and Baker Hughes Oilfield Operations, Inc., as tenant (incorporated by reference to Exhibit 10.7 to the Registrant’ s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).

10.8	Acknowledgement letter, dated September 11, 2013, between Superior Drilling Products, LLC and Hard Rock Solutions, Inc., regarding the Drill N Ream commissions (incorporated by reference to Exhibit 10.8 to the Registrant' s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).
10.9	Membership Interest Purchase Agreement (MIPA), dated January 28, 2014, between Hard Rock Solutions, Inc., as seller, and Superior Drilling Products, LLC, as buyer, of Hard Rock Solutions, LLC, with Exhibits (incorporated by reference to Exhibit 10.9 to the Registrant' s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).
10.10	Intellectual Property Protection Agreement (IPPA), dated January 28, 2014, between 3cReamers, LLC, Hard Rock Solutions, LLC, James D. Isenhour, and Troy Meier (incorporated by reference to Exhibit 10.10 to the Registrant' s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).
10.11	Form of Subordinated Promissory Note from Hard Rock Solutions LLC and Superior Drilling Products LLC, as borrower, in favor of Hard Rock Solutions, Inc., as lender, to be executed upon closing of the Hard Rock acquisition (incorporated by reference to Exhibit 10.11 to the Registrant' s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).
10.12	Form of Security and Pledge Agreement between SD Company, Inc., as debtor, in favor of Hard Rock Solutions, Inc., as secured party, to be executed upon closing of the Hard Rock acquisition with attached Schedule A (incorporated by reference to Exhibit 10.12 to the Registrant' s Registration Statement on Form S- (Registration No. 333- 195085) filed with the SEC on April 7, 2014).
10.13	Form of Assignment Agreement between Superior Drilling Products, LLC and SD Company, Inc. assigning SDP' s rights under the MIPA and IPPA to SDC, to be executed in connection with the Reorganization (incorporated by reference to Exhibit 10.13 to the Registrant' s Registration Statement on Form S- (Registration No. 333- 195085) filed with the SEC on April 7, 2014).
10.14	Securities Purchase Agreement, dated February 24, 2014, between SD Company, Inc. and Superior Drilling Products, LLC, as borrowers, and D4D, LLC, as lender, for $2 million bridge loan with attached exhibits (incorporated by reference to Exhibit 10.14 to the Registrant' s Registration Statement on Form S- (Registration No. 333- 195085) filed with the SEC on April 7, 2014).
10.15	Secured Convertible Promissory Note, dated February 24, 2014, in the original principal amount of $2 million, from SD Company, Inc. and Superior Drilling Products, LLC, as borrowers, in favor of D4D, LLC, as lender, with Exhibits (incorporated by reference to Exhibit 10.15 to the Registrant' s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).
10.16	Security Agreements, dated February 24, 2014, between SD Company Inc. and Superior Drilling Products, LLC, respectively, as debtors, and D4D LLC, as secured party (incorporated by reference to Exhibit 10.16 to the Registrant' s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).
10.17	Form of Common Stock Purchase Warrant to be issued by SD Company Inc. in favor of D4D LLC upon conversion of $2 million bridge loan with attached exhibits (incorporated by reference to Exhibit 10.17 to the Registrant' s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).
10.18	Form of Registration Rights Agreement to be entered into between SD Company Inc. and D4D, LLC upon conversion of $2 million bridge loan (incorporated by reference to Exhibit 10.18 to the Registrant' s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).
10.19	Standard Industrial/Commercial Single-Tenant Lease, dated January 17, 2014, between Superior Drilling Products of California, LLC (SDP(CA)), as lessor, and Roger Holder, as lessee, with respect to our Bakersfield facilities (incorporated by reference to Exhibit 10.19 to the Registrant' s Registration Statement on Form S- (Registration No. 333- 195085) filed with the SEC on April 7, 2014).

10.20 Loan Agreement, dated July 3, 2012, between Meier Properties, Series LLC and Superior Drilling Products LLC, as co-borrowers, and Proficio Bank, as lender. (Proficio Loan 1) (incorporated by reference to Exhibit 10.35 to the Registrant' s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).

10.21 Term Note, dated July 3, 2012, from Meier Properties, Series LLC and Superior Drilling Products LLC, as co-borrowers, and Proficio Bank, as lender, in the original principal amount of $240,000. (Proficio Loan 1) with attached exhibits (incorporated by reference to Exhibit 10.36 to the Registrant' s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).

10.22 Deed of Trust, Security Agreement and Assignment of Leases and Rents, dated July 3, 2012, from Meier Properties, Series LLC, as grantor, to Proficio Bank, as trustee, and Proficio Bank, as beneficiary. (Proficio Loan 1) (incorporated by reference to Exhibit 10.37 to the Registrant' s Registration Statement on Form S- (Registration No. 333- 195085) filed with the SEC on April 7, 2014).

10.23 Loan Agreement(s), dated December 30, 2013, between Superior Drilling Products, LLC, Meier Leasing, LLC and Meier Management Company, LLC, as co-borrowers, respectively, and Proficio Bank, as lender. (Proficio Loan 2) (incorporated by reference to Exhibit 10.38 to the Registrant' s Registration Statement on Form S- (Registration No. 333- 195085) filed with the SEC on April 7, 2014).

10.24 U.S. Small Business Administration Note, dated December 30, 2013, from Superior Drilling Products, LLC, Meier Leasing, LLC and Meier Management Company, LLC, as co-borrowers, in favor of Proficio Bank, as lender, in the original principal amount of $627,000. (Proficio Loan 2) (incorporated by reference to Exhibit 10.39 to the Registrant' s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).

10.25 Unconditional Guaranty(s) from each of Gilbert Troy Meier, Annette D. Meier, the Gilbert Troy Meier Trust, the Annette Deuel Meier Trust, and Meier Family Holding Company, guarantor(s), respectively, to Proficio Bank, as lender, each dated December 30, 2013. (Proficio Loan 2) (incorporated by reference to Exhibit 10.40 to the Registrant' s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).

10.26 Term Note, dated February 4, 2013, between Meier Leasing, LLC and Meier Management Company, LLC, as -borrowers, and Proficio Bank, as lender, in the original principal amount of $592,000. (Proficio Loan 3) (incorporated by reference to Exhibit 10.42 to the Registrant' s Registration Statement on Form S- (Registration No. 333- 85) filed with the SEC on April 7, 2014).

10.27 Third Amendment to Loan Agreement (dated December 18, 2013), Second Amendment to Loan Agreement (dated June 15, 2009), First Amendment to Loan Agreement (dated December 10, 2007), and original Loan Agreement (dated August 10, 2007), between Tronco Energy Corporation, as borrower, Philco Exploration, LLC, as subsidiary, and Fortuna Asset Management LLC (and its assignee ACF Property Management, Inc. for the amendments). (Tronco Loan) (incorporated by reference to Exhibit 10.43 to the Registrant' s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).

10.28 Second Amended and Restated Promissory Note, dated January 1, 2014, between Tronco Energy Corporation, as borrower, and ACF Property Management Inc. as lender (assignee from Fortuna Asset Management LLC). (Tronco Loan) (incorporated by reference to Exhibit 10.44 to the Registrant' s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).

10.29 Security Agreement Pledge between Tronco Energy Corporation, as debtor, and ACF Property Management Inc. as secured party; and Owner Consent to Pledge from Meier Family Holding Company, LLC, with respect to 95% of the limited liability company interests in Superior Drilling Products, LLC, each dated June 15, 2009. (Tronco Loan) (incorporated by reference to Exhibit 10.45 to the Registrant' s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).

10.30 Security Agreement Pledge between Tronco Energy Corporation, as debtor, and ACF Property Management Inc. as secured party; and Owner Consent to Pledge from Meier Management Company, LLC, with respect to 5% of the limited liability company interests in Superior Drilling Products, LLC, each dated June 15, 2009. (Tronco Loan) (incorporated by reference to Exhibit 10.46 to the Registrant' s Registration Statement on Form S- (Registration No. 333- 195085) filed with the SEC on April 7, 2014).

10.31 Security Agreement Pledge between Tronco Energy Corporation, as debtor, and ACF Property Management Inc., as secured party; and Owner Consent to Pledge from Meier Management Company, with respect to 100% of the limited liability company interests in Superior Design and Fabrication, LLC, each dated December 18, 2013. (Tronco Loan) (incorporated by reference to Exhibit 10.47 to the Registrant' s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).

10.32 Guaranty(s) from Gilbert Troy Meier Trust (dated August 10, 2009), and from Superior Drilling Products, LLC and Superior Design and Fabrication, LLC (dated December 18th, 2013), in favor of ACF Property Management, Inc., as lender. (Tronco Loan) (incorporated by reference to Exhibit 10.48 to the Registrant' s Registration Statement on Form S- (Registration No. 333- 195085) filed with the SEC on April 7, 2014).

10.33 Loan Purchase Agreement between ACF Property Management Inc., as lender and seller, SD Company Inc., as buyer, and Tronco Energy Corporation, as borrower, dated January 1, 2014. (Tronco Loan) (incorporated by reference to Exhibit 10.49 to the Registrant' s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).

10.34 Loan Agreement, dated April 3, 2012, between Meier Properties Series LLC and Superior Auto Body & Paint LLC (SABP) as co-borrowers, and Mountain West Small Business Finance, as lender. (SABP Loan 1); Change in Terms Agreement dated March 19, 2012, between Superior Auto BODY & Paint LLC, as borrower and Mountain America Credit Union, as Lender; and Change in Terms Agreement dated March 19, 2012, between Superior Auto BODY & Paint LLC, as borrower and Mountain America Credit Union, as Lender (incorporated by reference to Exhibit 10.50 to Amendment No. 1 to the Registrant' s Registration Statement on Form S- (Registration No. 333- 195085) filed with the SEC on April 30, 2014).

10.35 Promissory Note dated March 19, 2012, from Superior Auto Body and Paint LLC, as borrower, in favor of Mountain America Credit Union in the amount of $1,698,005.00 (incorporated by reference to Exhibit 10.51 to the Registrant' s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).

10.36 Loan Agreement, dated May 25, 2012, between Meier Properties Series LLC and SABP, as co-borrowers and Mountain West Small Business Finance, as lender. (SABP Loan 2) (incorporated by reference to Exhibit 10.52 to the Registrant's Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).

10.37 U.S. Small Business Administration Note, dated May 25, 2012, between Meier Properties, Series LLC, as debtor, SABP, as operating company, and Mountain West Small Business Finance, as lender, in the original principal amount of $1,159,000.00 (SABP Loan 2) (incorporated by reference to Exhibit 10.53 to the Registrant' s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).

10.38 Security Agreement(s), dated May 25, 2012, between each of Meier Properties, Series LLC and SABP, as debtor(s), and Mountain West Small Business Finance, as lender. (SABP Loan 2) (incorporated by reference to Exhibit 10.54 to the Registrant' s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).

10.39 Continuing Guaranty, dated May 20, 2011, by Superior Drilling Products, as guarantor, to Mountain America Federal Credit Union, as lender. (SABP Loans 1 and 2) (incorporated by reference to Exhibit 10.55 to the Registrant' s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).

10.40 Lease, dated May 25, 2012, between Meier Properties, Series LLC, as lessor, and SABP, as lessee (incorporated by reference to Exhibit 10.56 to the Registrant' s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).

10.41 Confirmation of Guaranties from Troy Meier, Annette Meier, the G. Troy Meier Trust, and the Annette Deuel Meier Trust, to Superior Drilling Products, Inc. (incorporated by reference to Exhibit 10.57 to Amendment No. 3 to the Registrant' s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on May 12, 2014).

10.42 Stock Pledge Agreement between Meier Management Company, LLC and Superior Drilling Products, Inc. (incorporated by reference to Exhibit 10.58 to Amendment No. 3 to the Registrant' s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on May 12, 2014).

10.43 Stock Pledge Agreement between Meier Family Holding Company, LLC and Superior Drilling Products, Inc. (incorporated by reference to Exhibit 10.59 to Amendment No. 3 to the Registrant' s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on May 12, 2014).

10.44 Loan Agreement dated February 4, 2013, between Meier Leasing, LLC and Meier Management Company, LLC, as co-borrowers, and Proficio Bank, as lender. (Proficio Loan 3) (incorporated by reference to Exhibit 10.41 to the Registrant' s Registration Statement on Form S-1 (Registration No. 333- 195085) filed with the SEC on April 7, 2014).

10.45 Exclusive Manufacturing, Marketing, Sales and Consulting Agreement among Hard Rock Solutions, LLC, Extreme Technologies, LLC, Tenax Energy Solutions, LLC and Kevin Jones dated January 9, 2015 (incorporated by reference to Exhibit 10.45 to the Company' s annual report on form 10-K for the year ended December 31, 2014 filed on March 31, 2015.

10.46 Business Loan Agreement between Meier Properties, Series LLC and American Bank of the North dated April 9, 2015 (incorporated by reference to Exhibit 10.1 to the Company' s Current Report on Form 8-K filed on April 15, 2015).

10.47 Commercial Guaranty between Superior Drilling Products, Inc. and American Bank of the North dated April 9, 2015 (incorporated by reference to Exhibit 10.2 to the Company' s Current Report on Form 8-K filed on April 15, 2015).

10.48 Commercial Guaranty between G. Troy Meier and American Bank of the North dated April 9, 2015 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on April 15, 2015).

10.49 Commercial Guaranty between Annette Meier and American Bank of the North dated April 9, 2015 (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on April 15, 2015).

10.50 Amended and Restated Promissory Note from Hard Rock Solutions, LLC and Superior Drilling Solutions, LLC in favor of WMAFC, Inc. dated April 28, 2015 (incorporated by reference to Exhibit 10.1 to the Company' s Current Report on Form 8-K filed on April 15, 2015).

10.51 Form of Nonstatutory Stock Option Agreement (3 Year Vesting) under the 2015 Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on April 28, 2015).

10.52 Form of Nonstatutory Stock Option Agreement (2 Year Vesting) under the 2015 Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on April 28, 2015).

10.53 Form of Award of Restricted Stock (3 Year Vesting) under the 2015 Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on April 28, 2015).

10.54 Form of Award of Restricted Stock (2 Year Vesting) under the 2015 Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on April 28, 2015).

10.55 2015 Long Term Incentive Plan effective June 15, 2015 (incorporated herein by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed with the Commission on April 30, 2015).

10.56	Second Amended and Restated Promissory Note from Hard Rock Solutions, LLC and Superior Drilling Solutions, LLC in favor of WMAFC, Inc. dated September 28, 2015 (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on October 1, 2015).
10.57++	Business Agreement between Hard Rock Solutions, LLC and Baker Hughes Oilfield Operations, Inc. dated January 25, 2016 (incorporated by reference to Exhibit 10.1 to the Company' s Form 8-K filed on January 29, 2016).
10.58	Loan and Security Agreement among Superior Drilling Products, Inc., Superior Drilling Solutions, LLC, Hard Rock, LLC and Extreme Technologies, LLC as co-Borrowers and Federal National Commercial Credit as Lender date March 8, 2016 (incorporated by reference to Exhibit 10.1 to the Company' s Current Report on Form 8-K filed on March 10, 2016).
10.59	Promissory Note dated March 8, 2016 issued in favor of Federal National Commercial Credit as Lender (incorporated by reference to Exhibit 10.2 to the Company' s Current Report on Form 8-K filed on March 10, 2016).
10.60	Term Promissory Note dated March 8, 2016 issued in favor of Federal National Commercial Credit as Lender (incorporated by reference to Exhibit 10.3 to the Company' s Current Report on Form 8-K filed on March 10, 2016).
10.61	Subordination Agreement among Superior Drilling Products, Inc., Meier Management Company, LLC and Federal National Commercial Credit dated March 8, 2016 (incorporated by reference to Exhibit 10.4 to the Company' s Current Report on Form 8-K filed on March 10, 2016).
10.62	Form of Fully Vested Non-Statutory Stock Option Agreement (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on March 10, 2016).
10.63	Amended Loan and Security Agreement among Superior Drilling Products, Inc., Superior Drilling Solutions, LLC, Hard Rock, LLC and Extreme Technologies, LLC as co-Borrowers and Federal National Commercial Credit as Lender dated March 28, 2016 (incorporated by reference to Exhibit 10.1 to the Company' s Current Report on Form 8-K filed on March 30, 2016).
10.64	Distribution Agreement between Hard Rock Solutions, LLC and Drilling Tools International, Inc. dated May 12, 2016 (incorporated by reference to Exhibit 10.1 to the Company' s Current Report on Form 8-K filed on May 13, 2016).
10.65	Second Amendment to Loan and Security Agreement among Superior Drilling Products, Inc., Superior Drilling Solutions, LLC, Hard Rock, LLC and Extreme Technologies, LLC as co-Borrowers and Federal National Commercial Credit as Lender dated May 12, 2016 (incorporated by reference to Exhibit 10.3 to the Company' s Current Report on Form 8-K filed on May 16, 2016).
10.66	Promissory Note from Superior Drilling Products Inc. in favor of the Donald A. Foss Revocable Living Trust dated August 5, 2016 (incorporated by reference to Exhibit 10.1 to the Company' s Current Report on Form 8-K filed on August 11, 2016).
10.67	Warrant issued by Superior Drilling Products, Inc. in favor of the Donald A. Foss Revocable Living Trust dated August 5, 2016 (incorporated by reference to Exhibit 10.2 to the Company' s Current Report on Form 8-K filed on August 11, 2016).
10.68	Promissory Note from Hard Rock Solutions, LLC and Superior Drilling Solutions, LLC in favor of WMAFC, Inc. dated August 10, 2016 (incorporated by reference to Exhibit 10.3 to the Company' s Current Report on Form 8-K filed on August 11, 2016).
10.69	Modification and Forbearance Agreement dated August 16, 2016 by and among Superior Drilling Products, Inc., Superior Drilling Solutions, LLC, Hard Rock Solutions, LLC, Extreme Technologies, LLC and Federal National Payables, Inc. (incorporated by reference to Exhibit 10.1 to the Company' s Current Report on Form 8-K filed on August 17, 2016).

10.70	Guaranty dated August 16, 2016 among G. Troy Meier, Annette Meier, and Federal National Payables, Inc. (incorporated by reference to Exhibit 10.2 to the Company' s Current Report on Form 8-K filed on August 17, 2016).
10.71	Amended and Restated Distribution Agreement between Hard Rock Solutions, LLC and Drilling Tools International, Inc. dated August 30, 2016 (incorporated by reference to Exhibit 10.1 to the Registrant' s Current Report on Form 8-K filed on August 31, 2016).
10.72	Special Warranty Deed between MPS and SABP dated February 9, 2017 (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed with the SEC on February 14, 2017).
10.73	Termination of Real Property Lease between MPS and SABP dated February 9, 2017 (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed with the SEC on February 14, 2017).
10.74	Second Amended and Restated Loan Agreement between the Company and Tronco Energy Corporation dated August 8, 2017 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on August 14, 2017).
10.75	Second Amended and Restated Promissory Note between the Company and Tronco Energy Corporation dated August 8, 2017 (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on August 14, 2017).
10.76	Letter Agreement between Superior Drilling Solutions, LLC and Baker Hughes Oilfield Operations LLC dated October 27, 2017 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8- filed with the SEC on November 1, 2017).
21.1*	Subsidiaries of the Registrant
23.1*	Consent of Moss Adams LLP
23.2*	Consent of Hein & Associates LLP
31.1*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for G. Troy Meier.
31.2*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Christopher D. Cashion.
32**	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for G. Troy Meier and Christopher D. Cashion.
101*	Interactive data files pursuant to Rule 405 of Regulation S-T
101.INS	XBRL Instance
101.SCH	XBRL Schema
101.CAL	XBRL Calculation
101.DEF	XBRL Definition
101.LAB	XBRL Label
101.PRE	XBRL Presentation

*	Filed herewith.
**	Furnished herewith.
†	Indicates a management contract or compensatory plan, contract or arrangement.
++	Portions of this exhibit have been omitted pursuant to a request for confidential treatment submitted to the Securities and Exchange Commission and this exhibit has been filed separately with the Securities and Exchange Commission in connection with such request.

ITEM 16. FORM 10-K SUMMARY

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

SUPERIOR DRILLING PRODUCTS, INC.

March 22, 2018	By: */s/ G. TROY MEIER* G. Troy Meier, Chief Executive Officer (Principal Executive Officer)
March 22, 2018	By: */s/ CHRISTOPHER CASHION* Christopher Cashion, Chief Financial Officer (Principal Financial Officer and PrincipalAccounting Officer)
March 22, 2018	By: */s/ ANNETTE MEIER* Annette Meier, President, Chief Operating Officer and Director
March 22, 2018	By: */s/ JAMES LINES* James Lines, Director
March 22, 2018	By: */s/ ROBERT IVERSEN* Robert Iversen, Director
March 22, 2018	By: */s/ MICHAEL RONCA* Michael Ronca, Director

Subsidiaries of the Company

- Superior Drilling Solutions, LLC
- Hard Rock Solutions, LLC
- Extreme Technologies, LLC
- Meier Properties Series, LLC
- Meier Leasing, LLC
- Superior Design and Fabrication, LLC

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements (Form S-3 No. 333-210390 and Form S-8 Nos. 333-204983 and 333-220485) of our report dated March 22, 2018, relating to the consolidated financial statements of Superior Drilling Products, Inc., appearing in this Annual Report (Form 10-K) for the year ended December 31, 2017.

/s/ Moss Adams LLP

Dallas, Texas
March 22, 2018

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements (Form S-3 No. 333-210390 and Form S-8 Nos. 333-204983 and 333-220485) of Superior Drilling Products, Inc. of our report dated March 31, 2017, relating to the consolidated financial statements of Superior Drilling Products, Inc., appearing in this Annual Report on Form 10-K of Superior Drilling Products, Inc. for the year ended December 31, 2016.

/s/ Hein & Associates LLP

Dallas, Texas
March 22, 2018

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT

I, G. Troy Meier, certify that:

1. I have reviewed this Annual Report on Form 10-K of Superior Drilling Products, 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 officers 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 other 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: March 22, 2018

/s/ G. Troy Meier
G. Troy Meier
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT

I, Christopher Cashion, certify that:

1. I have reviewed this Annual Report on Form 10-K of Superior Drilling Products, 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 officers 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 other 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: March 22, 2018

/s/ Christopher Cashion

Christopher Cashion
Chief Financial Officer

Exhibit 32.1

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

In connection with the Annual Report on Form 10-K of Superior Drilling Products, Inc. (the "Company") for the period ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, G. Troy Meier, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

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

Date: March 22, 2018

/s/ G. Troy Meier
G. Troy Meier
President and Chief Executive Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

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

In connection with the Annual Report on Form 10-K of Superior Drilling Products, Inc. (the "Company") for the period ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Christopher Cashion, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

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

Date: March 22, 2018

/s/ Christopher Cashion
Christopher Cashion
Chief Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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Shareholder Information

Corporate Headquarters

Superior Drilling Products, Inc.
1583 South 1700 East
PO Box 1656
Vernal, Utah 84078
435.789.0594
www.sdpi.com

Stock Exchange Listing

The Company's stock is traded on the NYSE American exchange under the symbol SDPI.

2017 Annual Meeting

Superior Drilling Products' Annual Meeting of Shareholders will be held at 9:00 am MT on August 3, 2018 at

Superior Drilling Products, Inc.
Corporate Headquarters
1583 South 1700 East
Vernal, Utah 84078

Investor Relations

Investors, stockbrokers, security analysts and others seeking information about Superior Drilling Products, contact:

Deborah K. Pawlowski
Kei Advisors LLC
716.843.3908
dpawlowski@keiadvisors.com

Transfer Agent

For services, such as reporting a change of address, replacement of lost stock certificates, changes in registered ownership, or for inquiries about your account, contact:

VStock Transfer, LLC
18 Lafayette Place
Woodmere, New York 11598
Tel: 212.828.8436
Fax: 646.536.3179
www.vstocktransfer.com

Independent Auditors

Moss Adams
Dallas, Texas

DIRECTORS AND OFFICERS

Corporate Officers

Troy Meier
Chairman and Chief Executive Officer

Annette Meier
President and Chief Operating Officer

Chris Cashion
Chief Financial Officer

David Gale
Vice President of Operations

Lane Snell
Vice President of Engineering

Board of Directors

Troy Meier, *Chairman of the Board*
Chief Executive Officer
Superior Drilling Products, Inc.

Robert Iversen [1, 2*, 3]
President and Partner
CTI Energy Services

Jim Lines [1*, 2, 3]
President and Chief Executive Officer
Graham Corporation

Annette Meier
President and Chief Operating Officer
Superior Drilling Products, Inc.

Michael Ronca [1, 2, 3*]
President and Chief Executive Officer
EagleRidge Energy

1 *Audit Committee*
2 *Compensation Committee*
3 *Nominating & Corporate Governance Committee*
* *Committee Chairman*

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