SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Enservco Corp

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

FORM 10-K

☒ ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the fiscal year ended December 31, 2020

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the transition period from _______ to ______

Commission file number: 001-36335

ENSERVCO CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**84-0811316** (IRS Employer Identification No.)
14133 County Road 9 1/2 **Longmont, CO** (Address of principal executive offices)	**80504** (Zip Code)

Registrant's telephone number: **(303) 333-3678**

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

Title of each class	Ticker Symbol	Name of each exchange on which registered
Common stock, $0.005 par value	**ENSV**	**NYSE American**

Securities registered pursuant to Section 12(g) of the Securities 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 ☑ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act: ☐ Yes ☑ No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the be st 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. ☑

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☒
	Emerging growth company ☐

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes ☐ No ☑

The aggregate market value of the common stock held by non-affiliates of the Registrant was approximately $7.1 million based upon the closing sale price of the Registrant's Common Stock of $2.595 as of June 30, 2020, the last trading day of the registrant's most recently completed second fiscal quarter. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 15, 2021, there were 11,267,946 shares of the Registrant's Common Stock outstanding.

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CAUTIONARY STATEMENT

REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains certain statements that are, or may be deemed to be, " forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In some cases, you can identify forward-looking statements by terms such as "may," "anticipate," "should," "could," "project," "intend," "estimate," "expect," "believe," "predict," "budget," "goal," "plan," "forecast," "target" and other similar expressions.

All statements, other than statements of historical facts, contained in this annual report are forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, many factors could cause our actual results to differ materially from what is expressed in or indicated by the forward-looking statements. Forward-looking statements are subject to known and unknown risks and uncertainties, including, among others, the risks set forth in the section of this annual report entitled "Risk Factors" and elsewhere throughout this annual report, as well as the following factors:

- Our ability to maintain certain operating covenants under our existing Loan and Security Agreement, which if violated and not cured, could result in our outstanding loan balance being accelerated, due and payable;
- Our ability to successfully repay or refinance on terms acceptable to us the outstanding balance of the 2017 Credit Agreement when due in October 2022 unless earlier accelerated;
- Potential decreases in the prices for crude oil and natural gas which would likely result in exploration and production companies cutting back their capital expenditures for oil and gas well drilling which in turn would result in significantly reduced demand for our drilling completion services, thereby negatively affecting our revenues and results of operations;
- Competition for the services we provide in our areas of operations, which has increased significantly due to the recent fluctuations in prices for crude oil and natural gas;
- Constraints on us as a result of our indebtedness, including restrictions imposed on us under the terms of our credit facility agreement and our ability to generate sufficient cash flows to repay our debt obligations;
- Our capital requirements and uncertainty of obtaining additional funding on terms acceptable to us;
- The impact of general economic conditions on the demand for oil and natural gas and the availability of capital which may impact our ability to perform services for our customers;
- The geographical diversity of our operations which adds significantly to our costs of doing business;
- Our history of losses and working capital deficits which, at times, have been significant;
- Weather and environmental conditions, including the potential of abnormally warm winters in our areas of operations that adversely impact demand for our services;
- Our ability to retain key members of our management and key technical employees;
- The impact of environmental, health and safety and other governmental regulations, and of current or pending legislation with which we and our customers must comply;
- Developments in the global economy as well as pandemic risks related to the COVID-19 virus and resulting demand and supply for oil and natural gas;
- Risks relating to any unforeseen liabilities;
- Federal and state initiatives relating to the regulation of hydraulic fracturing; and
- The price and volume volatility of our common stock.

All forward-looking statements, express or implied, contained in this annual report are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements to reflect events or circumstances after the date of this annual report.

PART I

ITEM 1. BUSINESS

Overview

Enservco Corporation ("Enservco") through its wholly owned subsidiaries (collectively referred to as the "Company", "we" or "us") provides various services to the domestic onshore oil and natural gas industry. These services include frac water heating (Completion and other services) and hot oiling and acidizing (Production services).

We and our wholly owned subsidiaries provide well enhancement and fluid management services to the domestic onshore oil and natural gas industry. These services include frac water heating and hot oiling and acidizing. We own and operate a fleet of approximately 338 specialized trucks, trailers, frac tanks and other well-site related equipment and serve customers in several major domestic oil and gas areas, including the DJ Basin/Niobrara area in Colorado and Wyoming, the Bakken area in North Dakota, the San Juan Basin in northwestern New Mexico, the Marcellus and Utica Shale areas in Pennsylvania and Ohio, the Jonah area, Green River and Powder River Basins in Wyoming, the Eagle Ford Shale in Texas.

The Company's corporate offices are located at 14133 County Road 9 1/2, Longmont, CO 80504. Our telephone number is (303) 333-3678. Our website is www.enservco.com.

Corporate Structure

Our business operations are conducted primarily through our wholly owned subsidiary, Heat Waves Hot Oil Service LLC, a Colorado limited liability company ("Heat Waves"), and Heat Wave's wholly owned subsidiary, HE Services LLC, a Nevada limited liability company ("HE Services").

Overview of Business Operations

We primarily conduct our business operations through our principal operating subsidiary, Heat Waves, which provides oil field services to the domestic onshore oil and natural gas industry. These services include frac water heating, hot oiling, pressure testing, acidizing, bacteria and scale treatment, freshwater and saltwater hauling, fluid disposal, frac tank rental, well site construction and other general oil field services. Certain assets utilized by Heat Waves in its business operations are owned by HE Services. We currently operate in the following geographic regions:

- Eastern USA Region, including the southern region of the Marcellus Shale formation (southwestern Pennsylvania and northern West Virginia) and the Utica Shale formation in eastern Ohio. The Eastern USA Region operations are deployed from Heat Waves' operations center in Carmichaels, Pennsylvania, which opened in the first quarter of 2011.

- Rocky Mountain Region, including western Colorado and southern Wyoming (D-J Basin and Niobrara formations), central Wyoming (Powder River and Green River Basins) and western North Dakota and eastern Montana (Bakken formation). The Rocky Mountain Region operations are deployed from Heat Waves' operations centers in Killdeer, North Dakota, Tioga, North Dakota, Wyoming and Longmont, Colorado.

- Central USA Region, including the Eagle Ford Shale and Permian Basin in Texas. The Central USA Region operations are deployed from operations centers in Jourdanton, Texas and Carrizo Springs, Texas.

Historically, the Company focused its growth strategy on strategic acquisitions of operating companies and expansion of services through capital investment consisting of the acquisition and fabrication of property and equipment. That strategy also included expanding into new geographical territories as well as expanding the services it provides. These strategies are exemplified by these activities:

(1) From 2014 through 2016, the Company spent approximately $33.7 million for the acquisition and fabrication of additional frac water heating, hot oiling, and acidizing equipment; and during 2018, acquired Adler Hot Oil Services, LLC, a provider of frac water heating and hot oiling services, for a gross aggregate purchase price of approximately $12.5 million in order to expand our market share in the Bakken formation, DJ Basin, and Marcellus/Utica shale formation.

(2) To expand its footprint, in early 2010 Heat Waves began providing services in the Marcellus Shale natural gas field in southwestern Pennsylvania and West Virginia, and in September 2011 Heat Waves extended its services into the D-J Basin / Niobrara formation and the Bakken formation through opening new operation centers in southern Wyoming and western North Dakota, respectively. In late 2012 the Company expanded its operations, through its Pennsylvania operation center, into the Utica Shale formation in eastern Ohio. Also, in early 2015 the Company expanded its operations into the Eagle Ford formation through opening a new operations center in southern Texas. In early 2019, the Company expanded operations in the Powder River Basin by opening a new operations center in Douglas, Wyoming.

(3) In January 2016, Enservco acquired various water transfer assets for approximately $4.3 million in order to provide water transfer services to its customers in all of its operating areas. This segment was discontinued in 2019.

Operating Entities

As noted above, E nservco conducts its business operations and holds assets primarily through its subsidiary entity, Heat Waves. Heat Waves provides a range of well stimulation/maintenance services to a diverse group of independent and major oil and natural gas companies. The primary services provided are intended to:

(1) Assist in the fracturing of formations for newly drilled oil and natural gas wells; and
(2) Help maintain and enhance the production of existing well s throughout their productive life.

These services consist of frac water heating, hot oiling and acidizing. Heat Waves also provides some water hauling and well site construction services. Heat Waves' operations are currently in the major oil and natural gas areas in Colorado, Montana, North Dakota, Ohio, Oklahoma, Pennsylvania, Texas, West Virginia, and Wyoming.

Areas of Operations

The following map shows the areas in which the Company currently operates.

Business Segments

Enservco, through its operating subsidiary, provides a range of services to owners and operators of oil and natural gas wells in the following business segments. In 2019 we reorganized our business segments to align with how management evaluates the business.

Production Services

The Company's Production services consist of acidizing, hot oiling services, and pressure testing. Operations are currently in Colorado, Wyoming, North Dakota, Montana, Pennsylvania, West Virginia, Ohio and Texas. Production services accounted for approximately 49% of the Company's total revenues for the fiscal year ended December 31, 2020, compared to 34% for the fiscal year ended December 31, 2019.

Acidizing - Acidizing entails pumping large volumes of specially formulated acids and/or chemicals into a well to dissolve materials blocking the flow of the crude oil or natural gas. The acid is pumped into the well under pressure. Acidizing is most often used to increase permeability throughout the formation, clean up formation damage near the wellbore caused by drilling, and to remove buildup of materials restricting the flow of crude oil and gas through perforations in the well casing. For most customers, Heat Waves supplies the acid solution and also pumps that solution into a given well. As of December 31, 2020, Heat Waves owned and operated a fleet of 6 acidizing units, each of which consist of a specially designed acid pump truck and an acid transport trailer.

Hot Oil Services – Hot oil services involve the circulation of a heated fluid, typically oil, to dissolve, melt, or dislodge paraffin or other hydrocarbon deposits from the tubing of a producing well. Paraffin deposits build up over time from normal production operations, although the rate at which this paraffin builds up depends on the chemical character of the crude oil or natural gas being produced. These services are performed by circulating and heating oil from a well through a hot oil truck and then pumping it down the casing and back up the tubing to remove the deposits. As of December 31, 2020, Heat Waves owned and operated a fleet of 62 hot oiling trucks. Based on customer needs and seasonal conditions, these vehicles are deployed among the servic e regions as necessary in seeking to maximize their productive time.

Hot oil servicing also includes the heating of oil storage tanks. The heating of storage tanks is performed (i) to eliminate frozen water and other soluble waste in the tanks; and (ii) because heated oil flows more efficiently from the tanks to transports hauling oil to the refineries in colder weather.

Pressure Testing – Pressure testing consists of pumping fluids into new or existing wells or other components of the well system such as flow lines to detect leaks. Hot oil trucks and pressure trucks are used to perform this service.

Completion and Other Services

The Company's completion and other services consist of frac water heating and other services. O perations are currently in Colorado, Wyoming, New Mexico, North Dakota, Montana, Pennsylvania, West Virginia, and Ohio. Completion and other services accounted for approximately 51% of the Company's total revenues for the fiscal year ended December 31, 2020, compared to 66% for the fiscal year ended December 31, 2019.

Frac Water Heating – Frac Water Heating is the process of heating water used in connection with the fracturing process of completing a well. Fracturing services are intended to enhance the production from crude oil and natural gas wells through the creation of conductive flowpaths to enable the hydrocarbons to reach the wellbore where the natural flow has been restricted by underground formations. The fracturing process consists of pumping a fluid slurry, which largely consists of fresh water and a proppant into a well at sufficient pressure to fracture (i.e. create conductive flowpaths) the formation. To ensure these solutions are properly mixed and can flow freely, during certain parts of the year the water frequently needs to be heated to a sufficient temperature as determined by the well owner/operator. As of December 31, 2020, Heat Waves and Adler owned and operated a fleet of 64 frac heaters designed to heat large amounts of water.

Other Services – The Company's other services consist primarily of hauling services where the Company utilizes its operating assets that are not deployed to transport both liquid and dry materials for customers.

Ownership of Company Assets

The Company owns various equipment and other assets to provide its services and products. Substantially all the equipment and personal property assets owned by these entities are pledged as security under the Company's Amended 2017 Credit Agreement with its bank lender.

Historically, as supply and demand require , the Company has leased additional trucks and equipment from time to time. These leases are generally for periods of less than one year, and therefore are treated as operating leases for accounting purposes, and the rent expense associated with these leases is reported in accordance with Accounting Standards Codification ("ASC") Topic 842 - Leases.

Competitive Business Conditions

We face intense competition in our operations. Competition is influenced by factors such as price, capacity, the quality/safety-record/availability of equipment and work crews, and the reputation and experience of the service provider. The Company believes that an important competitive factor in establishing and maintaining long-term customer relationships is having an experienced, skilled, and well-trained work force that is responsive to our customers' needs. Although we believe customers consider all of these factors, price is the primary factor in determining which service provider is awarded work.

The demand for our services fluctuates primarily in relation to the domestic commodity price (or anticipated price) of crude oil a nd natural gas which, in turn, is largely driven by the domestic and worldwide supply of, and demand for, oil and natural gas, political events, as well as speculation within the financial markets. Demand and prices are often volatile and difficult to predict and depend on events that are not within our control. Generally, as supply of oil and natural gas decreases and demand increases, service and maintenance requirements increase as oil and natural gas producers drill new wells and attempt to maximize the productivity of their existing wells to take advantage of the higher priced environment. Conversely, as the supply of commodities increase and demand and crude oil and natural gas prices fall, oil and gas producers drill fewer wells and scale back or suspend service and maintenance work and put significant pressure on well services providers such as us to reduce prices for our services. Throughout 2020 and in early 2021, due to depressed crude oil prices and the impacts of COVID-19, our customers have cut back significantly their work orders for our services as well as for the well services of our competitors and required us to reduce our prices in order to obtain or maintain our business with them. We expect price competition will be intense for the remainder of 2021.

The Company's competition primarily consists of small and large regional or local contractors. The Company attempts to differentiate itself from its competition in large part through its range, availability, and quality of services it has the capability to provide. The Company has invested a significant amount of capital into purchasing, developing, and maintaining a fleet of trucks and other equipment that are critical to the services it provides. Further, the Company concentrates on providing services to a diverse group of major and independent oil and natural gas companies in a number of geographical areas.

Dependence on One or a Few Major Customers

The Company serves numerous major and independent oil and natural gas companies that are active in our core areas of ope rations.

As of December 31, 2020, one customer represented more than 10% of the Company's accounts receivable balance at 26%. Revenues from one customer represented approximately 14% of total revenues for the year ended December 31, 2020.

The loss of our significant customers could have an adverse effect on the Company 's business until the equipment is redeployed. Further, the Company believes that if its customers shift production from any of the geographies in which it operates, the Company could effectively re-deploy its equipment into other domestic geographic areas but it may require us to incur relocation expenses, which would reduce operating margins.

Seasonality

A significant portion of the Company's operations is impacted by seasonal factors, particularly with regard to its frac water heating and hot oiling services. In 2020, approximately 75% of our revenue was earned during the first and fourth fiscal quarters. In regard to frac water heating, because customers rely on Heat Waves to heat large amounts of water for use in fracturing formations, demand for this service is much greater in the colder months. Similarly, hot oiling services are in higher demand during the colder months when they are needed for maintenance of existing wells and to heat oil storage tanks.

Acidizing and pressure testing are performed throughout the year with revenues generally not impacted by weather to a significant degree.

Raw Materials

The Company purchases a wide variety of raw materials, parts, and components that are made by other manufacturers and suppliers for our use. The Company is not dependent on any single source of supply for those parts, supplies or materials. However, there are a limited number of vendors for propane and certain acids and chemicals. The Company uses a limited number of suppliers and service providers available to fabricate and/or construct the trucks and equipment used in its hot oiling, frac water heating, and acid related services.

Patents, Trademarks, Licenses, Franchises, Concessions, Royalty Agreements or Labor Contracts

As is the situation with all companies in the frac water heating service business, we rely on certain procedures and pract ices in performing our services. In 2016, we were issued our first patent relating to an aspect of the frac water heating process. We have other patent applications pending regarding other procedures used in our process of heating frac water. Further, Adler has been issued three United States patents and one Canadian patent and has two United States patents pending related to aspects of the frac water heating process. We are aware that one unrelated company has been awarded four patents related, in part, to a process for heating of frac water.

Government Regulation

The Company and its subsidiaries are subject to a variety of government regulations ranging from environmental to Occupational Safety and Health Act ("OSHA") to the Department of Transportation. Our operations are also subject to stringent federal, state and local laws regulating the discharge of materials into the environment or otherwise relating to health and safety or the protection of the environment. These federal, state, and local laws and regulations relating to protection of the environment, wildlife protection, historic preservation, and health and safety are extensive and changing. The trend in environmental legislation and regulation is generally toward stricter standards, and we expect that this trend will continue as governmental agencies issue and amend existing regulations. Failure to comply with these laws and regulations as they currently exist or may be amended in the future may result in the assessment of substantial administrative, civil and criminal penalties, as well as the issuance of injunctions limiting or prohibiting activities. Adherence with these regulatory requirements increases our cost of doing business and consequently affects our profitability. The Company does not believe that it is in material violation of any regulations that would have a significant negative impact on the Company's operations.

Through the routine course of providing services, the Company handles and stores bulk quantities of hazardous materials. If leaks or spills of hazardous materials handled, transported or stored by us occur, the Company may be responsible under applicable environmental laws for costs of remediating any damage to the surface or sub-surface (including aquifers).

The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as "Superfund," and comparable state statutes impose strict, joint and several liability on owners and operators of sites and on persons who disposed of or arranged for the disposal of "hazardous substances" found at such sites. It is not uncommon for the government to file claims requiring cleanup actions, demands for reimbursement for government-incurred cleanup costs, or natural resource damages, or 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. The Federal Resource Conservation and Recovery Act, or RCRA, and comparable state statutes govern the disposal of "solid waste" and "hazardous waste" and authorize the imposition of substantial fines and penalties for noncompliance, as well as requirements for corrective actions. Although CERCLA currently excludes petroleum from its definition of "hazardous substance," state laws affecting our operations may impose clean-up liability relating to petroleum and petroleum-related products. In addition, although RCRA classifies certain oil field wastes as "non-hazardous," such exploration and production wastes could be reclassified as hazardous wastes thereby making such wastes subject to more stringent handling and disposal requirements. CERCLA, RCRA and comparable state statutes can impose liability for clean-up of sites and disposal of substances found on drilling and production sites long after operations on such sites have been completed. Other statutes relating to the storage and handling of pollutants include the Oil Pollution Act of 1990, or OPA, which requires certain owners and operators of facilities that store or otherwise handle oil to prepare and implement spill response plans relating to the potential discharge of oil into surface waters. The OPA contains numerous requirements relating to prevention of, reporting of, and response to oil spills into waters of the United States. State laws mandate oil cleanup programs with respect to contaminated soil. A failure to comply with OPA's requirements or inadequate cooperation during a spill response action may subject a responsible party to civil or criminal enforcement actions.

In the course of the Company's operations, it does not typically generate materials that are considered "hazardous substances." One exception, however, would be spills that occur prior to well treatment materials being circulated down hole. For example, if the Company spills acid on a roadway as a result of a vehicle accident in the course of providing production/stimulation services, or if a tank with acid leaks prior to down hole circulation, the spilled material may be considered a "hazardous substance." In this respect, the Company may occasionally be considered to "generate" materials that are regulated as hazardous substances and, as a result, may incur CERCLA liability for cleanup costs. Also, claims may be filed for personal injury and property damage allegedly caused by the release of hazardous substances or other pollutants.

The Clean Water Act (the "CWA"), and comparable state statutes, impose restrictions and controls on 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 Environmental Protection Agency (the "EPA") or an analogous state agency. The CWA regulates storm water run-off from oil and natural gas facilities and requires a storm water discharge permit for certain activities. Such a permit requires the regulated facility to monitor and sample storm water run-off from its operations. The CWA and regulations implemented thereunder also prohibit discharges of dredged and fill material in wetlands and other waters of the United States unless authorized by an appropriately issued permit. The CWA and comparable state statutes provide for civil, criminal and administrative penalties for unauthorized discharges of oil and other pollutants and impose liability on parties responsible for those discharges for the costs of cleaning up any environmental damage caused by the release and for natural resource damages resulting from the release.

The Safe Drinking Water Act (the "SDWA"), and the Underground Injection Control ("UIC") program promulgated thereunder, regulate the drilling and operation of subsurface injection wells, such as the disposal wells owned and operated by the Company. The EPA directly administers the UIC program in some states and in others the responsibility for the program has been delegated to the state. The program requires that a permit be obtained before drilling a disposal well. Violation of these regulations and/or contamination of groundwater by oil and natural gas drilling, production, and related operations may result in fines, penalties, and remediation costs, among other sanctions and liabilities under the SWDA and state laws. In addition, third party claims may be filed by landowners and other parties claiming damages for alternative water supplies, property damages, and bodily injury.

Regulations in the states in which the Company owns and operates water injection wells (Oklahoma) require us to obtain a permit to operate each of our disposal wells. The applicable regulatory agency may suspend or modify one of our permits if the Company's well operations are likely to result in pollution of freshwater, substantial violation of permit conditions or applicable rules, or if the well leaks into the environment.

The Federal Energy Policy Act of 2005 amended the SDWA to exclude hydraulic fracturing from the definition of "underground injection" under certain circumstances. However, the repeal of this exclusion has been advocated by certain advocacy organizations and others in the public. The EPA at the request of Congress conducted a national study examining the potential impacts of hydraulic fracturing on drinking water resources and issued a final assessment report in December 2016, which concluded that hydraulic fracturing activities can impact drinking water resources under some circumstances and identifies factors that influence these impacts.

We incur, and expect to continue to incur, capital and operating costs to comply with the environmental laws and regulations described herein. The technical requirements of these laws and regulations are becoming increasingly complex, stringent and expensive to implement.

If new federal or state laws or regulations that significantly restrict hydraulic fracturing are adopted, such legal requirements could result in delays, eliminate certain drilling and injection activities, make it more difficult or costly for our customers to perform fracturing and increase their and our costs of compliance and doing business. It is also possible that drilling and injection operations utilizing our services could adversely affect the environment, which could result in a requirement to perform investigations or clean-ups or in the incurrence of other unexpected material costs or liabilities.

Significant studies and research have been devoted to climate change and global warming, and climate change has developed into a major political issue in the United States and globally. Certain research suggests that greenhouse gas emissions contribute to climate change and pose a threat to the environment. Recent scientific research and political debate has focused in part on carbon dioxide and methane incidental to oil and natural gas exploration and production. Many state governments have enacted legislation directed at controlling greenhouse gas emissions, and future state and federal legislation and regulation could impose additional restrictions or requirements in connection with our operations and favor use of alternative energy sources, which could increase operating costs and decrease demand for oil products. As such, our business could be materially adversely affected by domestic and international legislation targeted at controlling climate change.

We are also subject to a number of federal and state laws and regulations, including OSHA, and comparable state laws, whose purpose is 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 citizens.

Because our trucks travel over public highways to get to customers' wells, the Company is subject to the regulations of the Department of Transportation. These regulations are very comprehensive and cover a wide variety of subjects from the maintenance and operation of vehicles to driver qualifications to safety. Violations of these regulations can result in penalties ranging from monetary fines to a restriction on the use of the vehicles. Under regulations effective July 1, 2010, an uncured violation of regulations could result in a shutdown of all of the vehicles of Heat Waves. The Company does not believe it is in violation of Department of Transportation regulations at this time that would result in a shutdown of vehicles.

Some states and certain municipalities have regulated, or are considering regulating hydraulic fracturing ("fracking") which, if accomplished, could impact certain of our operations. While the Company does not believe that existing regulations and contemplated actions to limit or prohibit fracking have impacted its activities to date, there can be no assurance that these actions, if taken on a wider scale, may not adversely impact the Company's business operations and revenues.

Employees

As of March 11, 2021, the Company employed 88 full time employees. Of these employees, 78 are employed by Heat Waves and 10 are employed by Enservco. From time to time, the Company may hire contractors to perform work.

Available Information

We maintain a website at *http://www.enservco.com*. The information contained on, or accessible through, our website is not part of this Annual Report on Form 10-K. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to the Exchange Act, are available on our website, free of charge, as soon as reasonably practicable after we electronically file such reports with, or furnish those reports to, the SEC.

In addition, we maintain our corporate governance documents on our website, including our:

- Code of Business Conduct and Ethics for Directors, Officers and Employees which contains information regarding our whistleblower procedures,
- Insider Trading Policy,
- Audit Committee Charter,
- Compensation Committee Charter,
- Trading Blackout Policy, and
- Related Party Transaction Policy.

ITEM 1A. RISK FACTORS

An investment in our common stock may be considered speculative and involves a high degree of risk, including among other items the risk factors described below. These risk factors are intended to generally describe certain risks that could materially affect the Company and its current business operations and activities.

You should carefully consider the risks described below and elsewhere herein in connection with any decision whether to acquire, hold or sell the Company's securities. The following list identifies and briefly summarizes certain risk but should not be viewed as complete or comprehensive. If any of the contingencies discussed in the following paragraphs or other materially adverse events actually occur, the business, financial condition and results of operations could be materially and adversely affected. In such case, the trading price of our common stock could decline, and you could lose all or a significant part of your investment.

Liquidity and Debt Risks

Our secured bank debt is due October 15, 2022 and must be repaid or refinanced, and we have financial covenants that if not met or otherwise forgiven, could result in acceleration of such debt.

As of December 31, 2020, we had $19.1 million outstanding under our Credit Facility with East West Bank, which includes $1.4 million in future interest payable over the remaining term of the Credit Facility. As of March 15, 2021, we had $14.0 million outstanding, not including future interest payable, under our Credit Facility following the payment of $3.0 million from the proceeds of our February 2021 registered offering of our common stock. Under the terms of the Credit Facility, which was most recently amended by the Sixth Amendment, there are no required principal payments until maturity on October 15, 2022, and interest is fixed at 8.25%.

Furthermore, the terms of the Credit Facility, as amended, require that commencing March 31, 2021 and each month-end thereafter, that we obtain at least 70% of our projected gross revenue for the trailing three-month period. To the extent that we are unable to maintain such covenant or other covenants and cannot obtain a waiver from East West Bank, we will be in default under the terms of the Credit Facility, as amended, which would provide East West Bank with certain remedies, including acceleration of repayment of such debt.

Our ability to pay interest and principal on the Credit Facility, and to satisfy our other obligations, will depend upon our ability to achieve increased utilization of our equipment, which is highly influenced by weather and customers' drilling activity. We cannot assure you that our business will generate sufficient cash flows from operations, or that future capital will be available to us in an amount sufficient to fund our future liquidity needs. In the absence of adequate cash from operations and other available capital resources, we could face substantial liquidity constraints. To the extent that we could not repay or refinance our indebtedness when due, or generate adequate cash flows from operations, we may have to curtail operations that would adversely affect our ability to continue as a going concern. We cannot assure you that we will be able to raise capital through debt or equity financings on terms acceptable to us or at all, or that we could consummate dispositions of assets or operations for fair market value, in a timely manner or at all.

We are currently in a very difficult operating environment, and our business, results of operations and financial condition may be affected by general economic conditions and factors beyond our control.

We face a very difficult operating environment with exploration and production companies having significantly cut back their drilling and completions plans are exerting significant pressure on us to reduce our prices for the services we provide. Reduced activity and operating margins could force us to curtail operations in some or all of our locations which would materially and adversely affect our revenues and our ability to continue as a going concern.

Our ability to meet our debt obligations and to reduce our level of indebtedness depends on our future performance, and as of December 2020, we had experienced significantly reduced revenue in all four quarters of 2020 compared to the respective prior year periods. Thus, we may be extremely limited in our ability to repay any indebtedness without substantial debt restructuring and/or additional financing, either debt or equity, neither of which are assured.

General economic conditions, weather, oil and natural gas prices and financial, business and other factors may also affect our operations and our future performance. We experienced a heavy downturn in demand for our services in the fourth quarter of 2019 that continued through 2020 and into early 2021. Many of these factors are beyond our control. If we do not have sufficient funds on hand to pay our debt when due, we may be required to seek a waiver or amendment from our lender, refinance our indebtedness, incur additional indebtedness, sell assets or sell additional shares of our common stock. We may not be able to complete such transactions on terms acceptable to us, or at all. Our failure to generate sufficient funds to pay our debts or to undertake any of these actions successfully could result in a default on our debt obligations, which would materially adversely affect our business, results of operations and financial condition.

We may potentially have to repay a portion or all of the Loan issued to us under the Paycheck Protection Program of the CARES Act.

On April 10, 2020, we entered into a promissory note (the "Note") with East West Bank which provided for an unsecured loan of $1.9 million pursuant to the PPP under the CARES Act. The Note has a term of 2 years with a 1% per annum interest rate. Payments are deferred for six months from the date of the Note and we can apply for forgiveness of all or a portion of the Note after 60 days. Pursuant to the terms of the PPP, the Note, or a portion thereof, may be forgiven if proceeds are used for qualifying expenses as described in the CARES Act, such as payroll costs, costs used to continue group health care benefits, mortgage interest payments, rent and utilities. We believe that we utilized all proceeds for qualifying expenses. The terms of the Note, including eligibility and forgiveness, may be subject to further requirements in regulations and guidance adopted by the SBA.

Forgiveness of the Note will be determined in accordance with the provisions of the CARES Act and applicable regulations. Any principal and interest amount outstanding after the determination of amounts forgiven will be repaid on a monthly basis. The Company has finalized its calculation of amounts forgivable in accordance with guidance issued by the SBA and submitted its application for loan forgiveness on November 9, 2020 to East West Bank. As of the date of this Form 10-K, we have not received confirmation that the Note will be forgiven in its entirety. No assurance is provided that we will be able to obtain forgiveness of the Note in whole or in part.

Operations Related Risks

While our growth strategy includes seeking acquisitions of other oilfield services companies, we may not be successful in identifying, making and integrating business or asset acquisitions, if any, in the future.

We anticipate that a component of our growth strategy may be to make geographically focused acquisitions of businesses or assets aimed to strengthen our presence and expand services offered in selected regional markets. Pursuit of this strategy may be restricted by the on-going volatility and uncertainty within the credit markets which may significantly limit the availability of funds for such acquisitions. Our ability to use shares of our common stock in an acquisition transaction may be adversely affected by the volatility in the price of our common stock.

In addition to restricted funding availability, the success of this strategy will depend on our ability to identify suitable acquisition candidates and to negotiate acceptable financial and other terms. There is no assurance that we will be able to do so. The success of an acquisition also depends on our ability to perform adequate due diligence before the acquisition and on our ability to integrate the acquisition after it is completed. While we intend to commit significant resources to ensure that we conduct comprehensive due diligence, there can be no assurance that all potential risks and liabilities will be identified in connection with an acquisition. Similarly, while we expect to commit substantial resources, including management time and effort, to integrating acquired businesses into ours, there is no assurance that we will be successful in integrating these businesses. In particular, it is important that we be able to retain both key personnel of the acquired business and its customer base. A loss of either key personnel or customers could negatively impact the future operating results of any acquired business.

Our business is materially impacted by seasonal weather conditions.

Our businesses, particularly our frac heating and hot oil services, are impacted by weather conditions and temperatures. Unseasonably warm weather during winter months reduces demand for the heating services and results in higher operating costs, as a percentage of revenue, due to the need to retain equipment operators during these low demand periods. Management makes concerted efforts to reduce costs during these low demand periods by utilizing operators in other business segments, reducing hours, and in some instances, utilizing seasonal layoffs.

Further, during the winter months, our customers may delay operations or we may not be able to operate or move our equipment between locations during periods of heavy snow, ice or rain, and during the spring some areas impose transportation restrictions due to muddy conditions caused by spring thaws.

We may be unable to implement price increases and recently have had to lower existing prices on our core services.

We periodically seek to increase the prices of our services to offset rising costs and to generate increased revenues. We operate in a very competitive industry and, as a result, we are not always successful in raising or maintaining our existing prices. Additionally, during periods of increased market demand, a significant amount of new equipment may enter the market, which would also put pressure on the pricing of our services. Even when we are able to increase our prices, we may not be able to do so at a rate that is sufficient to offset rising costs. Also, we may not be able to successfully increase prices without adversely affecting our activity levels. The inability to maintain our prices or to increase the prices of our services to offset rising costs increase could have a material adverse effect on our business, financial position and results of operations. Recently, in the face of significantly reduced demand for oil field services resulting from significant reduced capital expenditures, we have been forced to lower our frac heating prices in order to obtain new business and maintain existing business, which will result in lower margins and operating revenues. We anticipate pricing pressure impacting our other service lines if lower oil and gas prices persist.

We operate in a capital-intensive industry. We may not be able to finance future growth of our operations or future acquisitions.

Our business activities require substantial capital expenditures. If our cash flow from operating activities and borrowings under our existing credit facility were not sufficient to fund our capital expenditure budget, we would be required to reduce these expenditures or to fund these expenditures through new debt or equity issuances.

Our ability to raise new debt or equity capital or to refinance or restructure our debt at any given time depends, among other things, on the condition of the capital markets and our financial condition at such time. Also, the terms of existing or future debt or equity instruments could further restrict our business operations. The inability to finance future growth could materially and adversely affect our business, financial condition and results of operations.

Increased labor costs or the unavailability of skilled workers could adversely affect our operations.

Companies in our industry, including us, are dependent upon the available labor pool of skilled workers. We compete with other oilfield services businesses and other employers to attract and retain qualified personnel with the technical skills and experience required to provide our customers with the highest quality service. We are also subject to the Fair Labor Standards Act, which governs such matters as minimum wage, overtime and other working conditions, and which can increase our labor costs or subject us to liabilities to our employees. A shortage of skilled workers or other general inflationary pressures or changes in applicable laws and regulations could make it more difficult for us to attract and retain skilled personnel and could require us to enhance our wage and benefits packages. Labor costs may increase in the future or we may not be able to reduce wages when demand and pricing falls, and such changes could have a material adverse effect on our business, financial condition and results of operations.

Historically, we have experienced a high employee turnover rate. Any difficulty we experience replacing or adding workers could adversely affect our business.

We believe that the high turnover rate in our industry is attributable to the nature of oilfield services work, which is physically demanding and performed outdoors, and to the seasonality of certain of our segments. As a result, workers may choose to pursue employment in areas that offer a more desirable work environment at wage rates that are competitive with ours. The potential inability or lack of desire by workers to commute to our facilities and job sites, as well as the competition for workers from competitors or other industries, are factors that could negatively affect our ability to attract and retain skilled workers. We may not be able to recruit, train and retain an adequate number of workers to replace departing workers. The inability to maintain an adequate workforce could have a material adverse effect on our business, financial condition and results of operations.

Our business depends on domestic (United States) spending by the crude oil and natural gas industry which suffered significant price volatility in 2019 and 2020, and such volatility may continue; our business has been, and may in the future be, adversely affected by industry and financial market conditions that are beyond our control.

We depend on our customers' ability and willingness to make operating and capital expenditures to explore, develop and produce crude oil and natural gas in the United States. Customers' expectations for future crude oil and natural gas prices, as well as the availability of capital for operating and capital expenditures, may cause them to curtail spending, thereby reducing demand for our services and equipment. Major declines in oil and natural gas prices in 2019 and 2020 have resulted in substantial declines in capital spending and drilling programs across the industry. As a result of the declines in oil and natural gas prices, many exploration and production companies have and are expected to substantially reduce drilling and completions programs at times and have required service providers to make pricing concessions.

Industry conditions and specifically the market price for crude oil and natural gas are influenced by numerous domestic and global factors over which we have no control, such as the supply of and demand for oil and natural gas, domestic and worldwide economic conditions that are affected by several factors beyond our control, weather conditions, political instability in oil and natural gas producing countries and perceived economic conditions. The volatility of the oil and natural gas industry and the consequent impact on commodity prices as well as exploration and production activity could adversely impact the level of drilling and activity by many of our customers. Where declining prices lead to reduced exploration and development activities in our market areas, the reduction in exploration and development activities over a sustained period will have a negative long-term impact on our business. Several month periods of low oil and natural gas prices typically result in increased pressure from our customers to make additional pricing concessions and impact our borrowing arrangements with our principal bank. There can be no assurance that the prices we charge to our customers will return to former levels experienced.

There also has been significant political pressure for the United States economy to reduce its dependence on crude oil and natural gas due to the perceived impacts on climate change. Furthermore, there have been significant political and regulatory efforts to reduce or eliminate hydraulic fracturing operations in certain of our service areas, particularly in Colorado. The Colorado legislature recently enacted a bill that could significantly restrict oil and gas drilling in Colorado, thereby negatively affecting our revenues. These activities may make oil and gas investment and production less attractive.

Higher oil and gas prices do not necessarily result in increased drilling activity because our customers' expectation of future prices also drives demand for production maintenance and completion services. Oil and gas prices, as well as demand for our services, also depend upon other factors that are beyond our control, including the following:

- Supply and demand for crude oil and natural gas;
- political pressures against crude oil and natural gas exploration and production;
- cost of exploring for, producing, and delivering oil and natural gas;
- expectations regarding future energy prices;
- advancements in exploration and development technology;
- adoption or repeal of laws regulating oil and gas production in the U.S.;
- imposition or lifting of economic sanctions against foreign companies;
- weather conditions;
- rate of discovery of new oil and natural gas reserves;
- tax policy regarding the oil and gas industry;
- development and use of alternative energy sources; and
- the ability of oil and gas companies to generate funds or otherwise obtain external capital for projects and production operations.

Ongoing volatility and uncertainty in the domestic and global economic and political environments have caused the oilfield services industry to experience demand volatility. While our management is generally optimistic for the continuing development of the onshore North American oil and gas industry over the long term, there are several political and economic pressures negatively impacting the economics of production from existing wells, future drilling operations, and the willingness of banks and investors to provide capital to participants in the oil and gas industry. We believe that these cuts in spending will continue to curtail drilling programs as well as discretionary spending on well services and will continue to result in a reduction in the demand for our services, the rates we can charge, and equipment utilization. In addition, certain of our customers could become unable to pay their suppliers, including us. Any of these conditions or events would adversely affect our operating results.

Our success depends on key members of our management, the loss of any executive or key personnel could disrupt our business operations.

We depend to a large extent on the services of certain of our executive officers. The loss of the services of Rich Murphy, our Executive Chairman, or Marjorie Hargrave, our President and Chief Financial Officer, could materially disrupt our operations.

We depend on several significant customers, and a loss of one or more significant customers could adversely affect our results of operations.

Our top five customers accounted for approximately 39% and 35% of our total annual revenues for 2020 and 2019, respectively. The loss of any one of these customers or a sustained decrease in demand by any of such customers could result in a substantial loss of revenues and could have a material adverse effect on our results of operations.

While we believe our equipment could be redeployed in the current market environment if we lost any material customers, such loss could have an adverse effect on our business until the equipment is redeployed. We believe that the market for our services is sufficiently diversified that it is not dependent on any single customer or a few major customers.

Our business and operations have been, and may continue to be adversely affected by the ongoing COVID-19 pandemic and other similar outbreaks.

Our business and operations have been, and are likely to continue to be, adversely affected by the ongoing global coronavirus (COVID-19) pandemic. In response to the COVID-19 pandemic, the governments of many countries, states, cities and other geographic regions have taken actions to prevent the spread of COVID-19, such as imposing travel restrictions and bans, quarantines, social distancing guidelines, shelter-in-place or lock-down orders and other similar limitations. These measures have, among other matters, negatively impacted consumer and business spending and, as a result, have negatively impacted the domestic and international demand for crude oil and natural gas, which has contributed to price volatility, impacted the price we receive for oil and natural gas and materially and adversely affected the demand for and marketability of our production. Our subcontractors, customers and suppliers, have also and may continue to experience delays or disruptions and temporary suspensions of operations. The pandemic may continue to negatively impact oil and gas prices, create economic uncertainty and financial market volatility, reduce economic activity, increase unemployment and cause a decline in consumer and business confidence, and could in the future further negatively impact the demand for our products and services. Ultimately, the extent of the impact of the COVID-19 pandemic on our future operational and financial performance will depend on, among other matters, the duration and intensity of the pandemic; the level of success of global vaccination efforts; governmental and private sector responses to the pandemic and the impact of such responses on us; and the impact of the pandemic on oil and gas prices and on our employees, customers, suppliers, operations and sales, all of which are uncertain and cannot be predicted. These factors may remain prevalent for a significant period of time even after the pandemic subsides, including due to a continued or prolonged recession in the U.S. or other major economies, and as with any adverse public health developments, could have a material adverse effect on our business, results of operations, liquidity or financial condition and heighten or exacerbate risks described in this Annual Report on Form 10-K.

Declining general economic, business or industry conditions may have a material adverse effect on our results of operations, liquidity and financial condition.

Concerns over global economic conditions, the threat of pandemic diseases and the results thereof, energy costs, geopolitical issues, inflation, the availability and cost of credit, the United States mortgage market and a declining real estate market in the United States have contributed to increased economic uncertainty and diminished expectations for the global economy. These factors, combined with volatile prices of oil and natural gas, declining business and consumer confidence and increased unemployment, have precipitated an economic slowdown and a recession. Concerns about global economic growth have had a significant adverse impact on global financial markets and commodity prices. If the economic climate in the United States or abroad continues to deteriorate, demand for petroleum products could diminish, which could impact the price at which we can sell our oil, natural gas and natural gas liquids, affect the ability of our vendors, suppliers and customers to continue operations and ultimately adversely impact our results of operations, liquidity and financial condition.

Environmental compliance costs and liabilities could reduce our earnings and cash available for operations.

We are subject to increasingly stringent laws and regulations relating to environmental protection and the importation and use of hazardous materials, including laws and regulations governing air emissions, water discharges and waste management. Government authorities have the power to enforce compliance with their regulations, and violations are subject to fines, injunctions or both. We incur, and expect to continue to incur, capital and operating costs to comply with environmental laws and regulations. The technical requirements of these laws and regulations are becoming increasingly complex, stringent and expensive to implement. These laws may provide for "strict liability" for damages to natural resources or threats to public health and safety. Strict liability can render a party liable for damages without regard to negligence or fault on the part of the party. Some environmental laws provide for joint and several strict liability for remediation of spills and releases of hazardous substances.

We use hazardous substances and transport hazardous wastes in our operations. Accordingly, we could become subject to potentially material liabilities relating to the investigation and cleanup of contaminated properties, and to claims alleging personal injury or property damage as the result of exposures to, or releases of, hazardous substances. In addition, stricter enforcement of existing laws and regulations, new laws and regulations, the discovery of previously unknown contamination or the imposition of new or increased requirements could require us to incur costs and penalties, or become the basis of new or increased liabilities that could reduce its earnings and cash available for operations. We believe we are currently in compliance with environmental laws and regulations.

Intense competition within the well services industry may adversely affect our ability to market our services.

The well services industry is intensely competitive. It includes numerous small companies capable of competing effectively in our markets on a local basis, as well as several large companies that possess substantially greater financial and other resources than us. Our larger competitors have greater resources that allow those competitors to compete more effectively than us. Our small competitors may be able to react to market conditions more quickly. The amount of equipment available may exceed demand at some point in time, which could result in active price competition.

We could be impacted by unfavorable results of legal proceedings, such as being found to have infringed on intellectual property rights.

As is the situation with other companies in the frac water heating service business, we rely on certain procedures and practices in performing our services. In 2016, we were issued our first patent relating to an aspect of the frac water heating process and in 2017, a second patent was issued. We have other patent applications pending regarding other procedures used in our process of heating frac water. We are aware that one unrelated company has been awarded four patents related, in part, to a process for heating of frac water.

Such third party or others may claim that we are infringing their intellectual property rights. If the owner of intellectual property establishes that we are infringing its intellectual property rights, we may be forced to change our services, and such changes may be expensive or impractical, or we may need to seek royalty or license agreements from the owner of such rights. If we are unable to agree on acceptable terms, we may be required to discontinue the sale of key services or halt other aspects of our operations. We may also be liable for financial damages for a violation of intellectual property rights. Any adverse result related to violation of third-party intellectual property rights could materially and adversely harm our business, results of operations and financial condition. Even if intellectual property claims brought against us are without merit, they may result in costly and time-consuming litigation and may require significant attention from our management and key personnel.

Similarly, third parties may misappropriate our intellectual property. While we actively seek to protect our intellectual property and proprietary rights, the steps we have taken may not prevent unauthorized use by third parties. Misappropriation of our intellectual property or potential litigation concerning such matters could have a material adverse effect on our business, results of operations and financial condition.

Our operations are subject to inherent risks, some of which are beyond our control. These risks may be self-insured or may not be fully covered under our insurance policies, but to the extent not covered, are self-insured by us.

Our operations are subject to hazards inherent in the oil and natural gas industry, such as, but not limited to, accidents, blowouts, explosions, fires and oil spills. These conditions can cause:

- Personal injury or loss of life,
- Damage to or destruction of property, equipment and the environment, and
- Suspension of operations by our customers.

The occurrence of a significant event or adverse claim in excess of the insurance coverage that we maintain or that is not covered by insurance could have a material adverse effect on our financial condition and results of operations. In addition, claims for loss of oil and natural gas production and damage to formations can occur in the well services industry. Litigation arising from a catastrophic occurrence at a location where our equipment and services are being used may result in us being named as a defendant in lawsuits asserting large claims.

We maintain insurance coverage that we believe to be customary in the industry against these hazards. In addition, in June 2015, we became self-insured under our Employee Group Medical Plan for the first $50,000 per individual participant. This self-insured plan terminated on December 31, 2020, but we remain liable for any for all claims under the Employee Group Medical Plan that arose prior to that date. Additionally, we do not have insurance against all foreseeable risks, either because insurance is not available or because of the high premium costs. The occurrence of an event not fully insured against, or the failure of an insurer to meet its insurance obligations, could result in substantial losses to us. In addition, we may not be able to maintain adequate insurance in the future at reasonable rates. Insurance may not be available to cover any or all of the risks to which we are subject, or, even if available, it may be inadequate, or insurance premiums or other costs could rise significantly in the future so as to make such insurance prohibitively expensive. It is likely that, in our insurance renewals, our premiums and deductibles will be higher, and certain insurance coverage either will be unavailable or considerably more expensive than it has been in the recent past. In addition, our insurance is subject to coverage limits, and some policies exclude coverage for damages resulting from environmental contamination.

Compliance with climate change legislation or initiatives could negatively impact our business.

The U.S. Congress has considered legislation to mandate reductions of greenhouse gas emissions and certain states have already implemented, or may be in the process of implementing, similar legislation. Additionally, the U.S. Supreme Court has held in its decisions that carbon dioxide can be regulated as an “air pollutant” under the Clean Air Act, which could result in future regulations even if the U.S. Congress does not adopt new legislation regarding emissions. At this time, it is not possible to predict how legislation or new federal or state government mandates regarding the emission of greenhouse gases could impact our business; however, any such future laws or regulations could require us or our customers to devote potentially material amounts of capital or other resources in order to comply with such regulations. These expenditures could have a material adverse impact on our financial condition, results of operations, or cash flows.

Anti-fracking initiatives and revisions of applicable state regulations could adversely impact our business.

Some states (including Colorado) and certain municipalities have regulated, or are considering regulating fracking which, if accomplished, could impact certain of our operations. There can be no assurance that these actions, if taken on a wider scale, may not adversely impact our business operations and revenues.

Our ability to use our net operating loss carry forwards may be subject to limitation and may result in increased future tax liability.

Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, or the Code, contain rules that limit the ability of a corporation that undergoes an “ownership change” to utilize its net operating loss carry forwards (“NOLs”) and certain built-in losses recognized in years after the ownership change. An “ownership change” is generally defined as any change in ownership of more than 50% of a corporation’s stock over a rolling three-year period by stockholders that own (directly or indirectly) 5% or more of the stock of the corporation, or arising from a new issuance of stock by the corporation. If an ownership change occurs, Section 382 generally imposes an annual limitation on the use of pre-ownership change net operating losses, or NOLs, credits and certain other tax attributes to offset taxable income earned after the ownership change. The annual limitation is equal to the product of the applicable long-term tax-exempt rate and the value of the corporation’s stock immediately before the ownership change. This annual limitation may be adjusted to reflect any unused annual limitation for prior years and certain recognized built-in gains for the year. In addition, Section 383 generally limits the amount of tax liability in any post-ownership change year that can be reduced by pre-ownership change tax credit carryforwards. If we were to experience an "ownership change," this could result in increased U.S. federal income tax liability for us if we generate taxable income after the ownership change. Limitations on the use of NOLs and other tax attributes could also increase our state tax liabilities. The use of our tax attributes will also be limited to the extent that we do not generate positive taxable income in future tax periods. As a result of these limitations, we may be unable to offset future taxable income, if any, with NOLs before such NOLs expire. Accordingly, these limitations may increase our federal and state income tax liabilities.

As of December 31, 2020, we had U.S. federal NOLs of approximately $28.2 million and state NOLs of approximately $32.5 million.

Improvements in or new discoveries of alternative energy technologies could have a material adverse effect on our financial condition and results of operations.

Because our operations depend on the demand for oil and used oil, any improvement in or new discoveries of alternative energy technologies (such as wind, solar, geothermal, fuel cells and biofuels) that increase the use of alternative forms of energy and reduce the demand for oil, gas and oil and gas related products could have a material adverse impact on our business, financial condition and results of operations.

Competition due to advances in renewable fuels may lessen the demand for our products and negatively impact our profitability.

Alternatives to petroleum-based products and production methods are continually under development. For example, a number of automotive, industrial and power generation manufacturers are developing alternative clean power systems using fuel cells or clean-burning gaseous fuels that may address increasing worldwide energy costs, the long-term availability of petroleum reserves and environmental concerns, which if successful could lower the demand for oil and gas. If these non-petroleum-based products and oil alternatives continue to expand and gain broad acceptance such that the overall demand for oil and gas is decreased, it could have an adverse effect on our operations and the value of our assets.

Risks Related to Our Common Stock

We have no plans to pay dividends on our common stock for the foreseeable future. Stockholders may not receive funds without selling their shares.

We do not anticipate paying any cash dividends on our common stock in the foreseeable future. We currently intend to retain future earnings, if any, to pay down debt and finance the expansion of our business. Our future dividend policy is within the discretion of our board of directors and will depend upon various factors, including our business, financial condition, results of operations, capital requirements and investment opportunities. In addition, we have agreed with East West Bank, our principal lender that we will not pay any cash dividends on our common stock until our obligations to East West Bank are paid in full. Accordingly, realization of a gain on a shareholder's investment will depend on the appreciation of the price of our common stock.

Our board of directors can, without stockholder approval, cause preferred stock to be issued on terms that adversely affect holders of our common stock.

Under our certificate of incorporation, our board of directors is authorized to issue up to 10,000,000 shares of preferred stock, of which none are issued and outstanding as of the date of this annual report. Also, our board of directors, without stockholder approval, may determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares. If our board of directors causes shares of preferred stock to be issued, the rights of the holders of our common stock would likely be subordinate to those of preferred holders and therefore could be adversely affected. Our board of directors' ability to determine the terms of preferred stock and to cause its issuance, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire a majority of our outstanding common stock. Preferred shares issued by our board of directors could include voting rights or super voting rights, which could shift the ability to control the Company to the holders of the preferred stock. Preferred stock could also have conversion rights into shares of our common stock at a discount to the market price of our common stock, which could negatively affect the market for our common stock. In addition, preferred stock would have preference in the event of liquidation of the corporation, which means that the holders of preferred stock would be entitled to receive the net assets of the corporation distributed in liquidation before the holders of our common stock receive any distribution of the liquidated assets.

The price of our common stock may be volatile regardless of our operating performan ce, and you may not be able to resell shares of our common stock at or above the price you paid or at all.

The trading price of our common stock may be volatile, and you may not be able to resell your shares at or above the price at which you paid for such shares. Our stock price volatility can be in response to a number of factors, including those listed in this section and elsewhere in this annual report. Many of these volatility factors are beyond our control. Other factors that may affect the market price of our common stock include:

- actual or anticipated fluctuations in our quarterly results of operations;
- liquidity;
- sales of our common stock by our stockholders;
- changes in oil and natural gas prices;
- changes in our cash flow from operations or earnings estimates;
- publication of research reports about us or the oil and natural gas exploration, production and service industry generally;
- competition from other oil and gas service companies and for, among other things, capital and skilled personnel;
- increases in market interest rates which may increase our cost of capital;
- changes in applicable laws or regulations, court rulings, and enforcement and legal actions;
- changes in market valuations of similar companies;
- adverse market reaction to any indebtedness we may incur in the future;
- additions or departures of key management personnel;
- actions by our stockholders;
- commencement of or involvement in litigation;
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes, and other related issues in our industry;
- speculation in the press or investment community regarding our business;
- political conditions in oil and natural gas producing regions;
- general market and economic conditions; and
- domestic and international economic, legal, and regulatory factors unrelated to our performance.

In addition, the U.S. securities markets have experienced significant price and volume fluctuations over the past several years. These fluctuations often have been unrelated to the operating performance of companies in these markets. Market fluctuations and broad market, economic and industry factors may negatively affect the price of our common stock, regardless of our operating performance. Any volatility or a significant decrease in the market price of our common stock could also negatively affect our ability to make acquisitions using our common stock. Further, if we were to be the object of securities class action litigation as a result of volatility in our common stock price or for other reasons, it could result in substantial costs and diversion of our management's attention and resources, which could negatively affect our financial results.

Our existing shareholders would experience dilution if we elect to raise equity capital to meet our liquidity needs or finance a strategic transaction.

As part of our strategy we may desire to raise c apital and or utilize our common stock to effect strategic business transactions. Either such action will likely require that we issue equity (or debt) securities which would result in dilution to our existing stockholders. Although we will attempt to minimize the dilutive impact of any future capital-raising activities or business transactions, we cannot offer any assurance that we will be able to do so. If we are successful in raising additional working capital, we may have to issue additional shares of our common stock at prices at a discount from the then-current market price of our common stock.

The value of our common stock may decline significantly if we are unable to maintain our NYSE American listing.

We are continuing to seek to regain compliance with certain New York Stock Exchange American LLC ("NYSE American") listing requirements. In November 2019 we received notifications from the NYSE American that we were not in compliance with the minimum stock price continued listing standards and we were not in compliance with the minimum stockholders' equity standards. Shortly thereafter, we provided the NYSE with a plan of compliance that contemplates a combination of the debt and additional equity capital proposed to be sought by us in order to achieve the stockholders' equity requirement, and in November 2020 we undertook a reverse stock split at an exchange ratio of 1-for-15 (1:15), in seeking to meet the minimum stock price standard.

We have updated our compliance plans with the NYSE American on an ongoing basis, and our common stock continues to be listed while we seek to regain compliance with the stockholders' equity requirements. It is not certain how long it will take for us to meet the foregoing requirements and the NYSE American could determine to delist our common stock in the meantime.

If our common stock is delisted, we would be forced to list our common stock on the OTC Markets or some other quotation medium, depending on our ability to meet their specific requirements. In that case, we may lose the interest and support of some or all of our institutional investors and further, selling our common stock on the OTC Markets would be more difficult because smaller quantities of shares would likely be bought and sold. These factors could also result in lower prices and larger spreads in the bid and ask prices for shares of our common stock. Finally, because of additional regulatory burdens imposed upon broker-dealers with respect to lower price over the counter companies, delisting could discourage broker-dealers from effecting transactions in our stock, further limiting the liquidity of our shares. These factors could have a material adverse effect on the trading price, liquidity, value and marketability of our common stock.

If our common stock were removed from listing with the NYSE American, it may be subject to the so-called "penny stock" rules. The SEC has adopted regulations that define a penny stock to be any equity security that has a market price per share of less than $5.00, subject to certain exceptions, such as any securities listed on a national securities exchange. For any transaction involving a penny stock, unless exempt, the rules impose additional sales practice requirements and burdens on broker-dealers (subject to certain exceptions) and could discourage broker-dealers from effecting transactions in our stock, further limiting the liquidity of our shares, and an investor may find it more difficult to acquire or dispose of our common stock on the secondary market.

These factors could have a material adverse effect on the trading price, liquidity, value and marketability of our stock.

Provisions in our charter documents could prevent or delay a change in control or a takeover.

Provisions in our bylaws provide certain requirements for the nomination of directors which preclude a stockholder from nominating a candidate to stand for election at any annual meeting. As described in Section 2.12 of the Company's bylaws, nominations must be presented to the Company well in advance of a scheduled annual meeting, and the notification must include specific information as set forth in that section. The Company believes that such a provision provides reasonable notice of the nominees to the board of directors, but it may preclude stockholder nomination at a meeting where the stockholder is not familiar with nomination procedures and, therefore, may prevent or delay a change of control or takeover.

Although the Delaware General Corporation Law includes § 112 which provides that bylaws of Delaware corporations may require the corporation to include in its proxy materials one or more nominees submitted by stockholders in addition to individuals nominated by the board of directors, the bylaws of the Company do not so provide. As a result, if any stockholder desires to nominate persons for election to the board of directors, the proponent will have to incur all of the costs normally associated with a proxy contest.

General Risk Factors

Indemnification of officers and directors may result in unanticipated expenses.

The Delaware General Corporation Law, our Amended and Restated Certificate of Incorporation and bylaws, and i ndemnification agreements between the Company and certain individuals provide for the indemnification of our directors, officers, employees, and agents, under certain circumstances, against attorney's fees and other expenses incurred by them in any litigation to which they become a party arising from their association with us or activities on our behalf. We also will bear the expenses of such litigation for any of our directors, officers, employees, or agents, upon such person's promise to repay them if it is ultimately determined that any such person shall not have been entitled to indemnification. This indemnification policy could result in substantial expenditures by us that we may be unable to recoup and could direct funds away from our business and products (if any).

We have significant obligations under the 1934 Act and the NYSE American.

Because we are a public company filing reports under the Securities Exchange Act of 1934, we are subject to increased regulatory scrutiny and extensive and complex regulation. The SEC has the right to review the accuracy and completeness of our reports, press releases, and other public documents. In addition, we are subject to extensive requirements to institute and maintain financial accounting controls and for the accuracy and completeness of our books and records. In addition to regulation by the SEC, we are subject to the NYSE American rules. The NYSE American rules contain requirements with respect to corporate governance, communications with shareholders, and various other matters.

Our operations are subject to cyber-attacks that could have a material adverse effect on our business, consolidated results of operations and consolidated financial condition.

Our operations are increasingly dependent on digital technologies and services. We use these technologies for internal purposes, including data storage, processing and transmissions, as well as in our interactions with customers and suppliers. Digital technologies are subject to the risk of cyber-attacks. If our systems for protecting against cybersecurity risks prove not to be sufficient, we could be adversely affected by, among other things: loss of or damage to intellectual property, proprietary or confidential information, or customer, supplier, or employee data; interruption of our business operations; and increased costs required to prevent, respond to, or mitigate cybersecurity attacks. These risks could harm our reputation and our relationships with customers, suppliers, employees and other third parties, and may result in claims against us. These risks could have a material adverse effect on our business, consolidated results of operations and consolidated financial condition.

Information about our Executive Officers

The following table sets forth, as of March 15, 2021, certain information regarding the executive officers of Enservco:

Name	Age	Position
Richard A. Murphy	52	Chief Executive Officer, Executive Chair & Principal Executive Officer
Marjorie Hargrave	57	Chief Financial Officer & President

The following biographies describe the business experience of our executive officers:

Richard A. Murphy, Age 52. Mr. Murphy became our Executive Chairman and Chief Executive Officer on May 29, 2020 and has served as a director for the Company since 2016. Mr. Murphy currently serves as the managing member of Cross River Capital Management, LLC the general partner of Cross River Partners, L.P., currently the largest stockholder of the Company. Mr. Murphy founded Cross River Partners, L.P. in April of 2002. Cross River Partners, L.P. invests in micro-cap and small-cap companies with market capitalizations up to $1.5 billion at the time of initial investment. Mr. Murphy's primary responsibility as managing member is investment research, analysis of investment opportunities, and coordinating final investment decisions for Cross River Partners, L.P. Prior to founding Cross River Partners, L.P., Mr. Murphy was an analyst and asset portfolio manager with SunAmerica Asset Management, LLC from 1998 to 2002. Mr. Murphy also worked as an associate investment banker at ING Barings in its food and agricultural division in 1998 and he worked at Chase Manhattan Bank from 1992 to 1996. He also sat on the Advisory Board of CMS Bankcorp, Inc. and currently sits on the Applied Investment Management Board for the University of Notre Dame. Mr. Murphy serves on the Board of Directors for Williston Holding Company, Inc. a restaurant company. Mr. Murphy also serves on the Board of Trustees of Brooklyn Jesuit Prep, a not-for-profit secondary school serving low-income families. Mr. Murphy received his MBA from the University of Notre Dame-Mendoza College of Business in 1998 and his bachelor's degree in political science from Gettysburg College in 1992.

Marjorie Hargrave, Age 57. Ms. Hargrave became our Chief Financial Officer on July 24, 2019 and became the Company President on October 6, 2020. Ms. Hargrave previously provided consulting services to various companies in the areas of finance, administration, accounting, risk mitigation, human resources, and investor relations from 2016 to joining us in 2019. Prior to her consulting work, Ms. Hargrave served as Chief Financial Officer and Senior Vice President of Strategic Planning for CTAP, LLC, a privately held distributor of tubing and casing throughout the United States, from 2010 to 2016. Ms. Hargrave also served as Chief Financial Officer of High Sierra Energy, LP, a start-up energy company which focused on midstream acquisitions, from 2005 to 2009. Ms. Hargrave's previous experience also includes management and associate roles with Black Hills Corporation, Xcel Energy, and Merrill Lynch & Co. Ms. Hargrave was recently appointed to the Board of Directors of Evolution Petroleum Corporation (NYSE:EPM). Ms. Hargrave earned a bachelor's degree in economics from Boston University, and a master's degree in economics from New York University.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. DESCRIPTION OF PROPERTIES

The following table sets forth real property owned and lease d by the Company and its subsidiaries as of December 31, 2020. Unless otherwise indicated, the properties are used in Heat Waves' operations.

***Owned Properties*:**

Location/Description	Approximate Size
Killdeer, ND(1)	
• Shop	10,000 sq. ft.
• Land – shop	8 acres
• Housing	5,000 sq. ft.
• Land – housing	2 acres
Tioga, ND(2)	
• Shop	4,000 sq. ft.
• Land	6 acres

(1) Property is collateral for mortgage debt obligation.
(2) Location not currently used in operations.

Leased Properties:

Location/Description	Approximate Size	Base Rent	Lease Expiration
Longmont, CO • Shop and offices • Land	18,400 sq. ft. 5 acres	$25,300	June 2026
Douglas, WY • Shop • Land	6,000 sq. ft. 5 acres	$7,000	December 2021
Carmichaels, PA • Shop • Land	5,000 sq. ft. 12.1 acres	$7,500	April 2022
Jourdanton, TX • Shop • Land	5,850 sq. ft. 2.3 acres	$8,150	June 2024
Bryan, TX(3) • Shop • Land	6,000 sq. ft. 1.6 acres	$5,345	August 2022
Carrizo Springs, TX • Land	2.6 acres	$2,500	September 2021
Denver, CO (4) • Corporate offices	7,352 sq. ft.	$15,976	June 2022
Denver, CO (5) • Corporate offices	4,021 sq. ft.	$7,854	April 2024

(3) Company is receiving $5,500 in monthly minimum rent under a sublease agreement for this leased property.
(4) Company is receiving approximately $10,900 in monthly minimum rent under a sublease agreement for this leased property.
(5) Company is receiving approximately $10,600 in monthly minimum rent under a sublease agreement for this leased property.
Note - All leases have renewal clauses

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is traded on the NYSE American under the symbol "ENSV". The table below sets forth the high and low daily closing sales prices of the Company's Common Stock during the periods indicated as reported by the New York Stock Exchange for each of the quarters in the years ended December 31, 2020 and 2019, respectively:

	2020		2019	
	Price Range		Price Range	
	High	Low	High	Low
First Quarter	$ 3.53	$ 1.32	$ 9.30	$ 5.40
Second Quarter	4.20	1.58	10.80	5.54
Third Quarter	3.28	1.79	7.50	3.17
Fourth Quarter	2.90	1.82	3.90	2.03

The closing sales price of the Company's common stock as reported on March 15, 2021, was $2.09 per share.

Holders

As of March 15, 2021, there were 157 holders of record of Company common stock. This does not include an indeterminate number of persons who hold our Common Stock in brokerage accounts and otherwise in "street name".

Dividends

Holders of common stock are entitled to receive such dividends as may be declared by the Company's Board of Directors. The Company did not declare or pay dividends during its fiscal years ended December 31, 2020 or 2019, and has no plans at present to declare or pay any dividends.

Decisions concerning dividend payments in the future will depend on income and cash requirements. However, in its agreements with East West Bank, our principal lender, the Company represented that it would not pay any cash dividends on its common stock until its obligations to East West Bank are satisfied. Furthermore, to the extent the Company has any earnings, it will likely retain earnings to pay down debt, or expand corporate operations and not use such earnings to pay dividends.

Recent Sales of Unregistered Securities

Information regarding sales of unregistered securities during the periods covered hereby have been included in previous reports on Form 8-K and Form 10-Q.

ITEM 6. SELECTED FINANCIAL DATA

We are a smaller reporting company as defined in Rule 12b-2 of the Exchange Act and are not required to provide the information under this Item.

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

The following discussion provides information regarding the results of operations for the years ended December 31, 2020 and 2019, and our financial condition, liquidity and capital resources as of December 31, 2020 and 2019.

The following discussion and analysis should be read in conjunction with our historical consolidated financial statements and the accompanying notes included elsewhere in this Annual Report on Form 10-K, which contain further detailed information, as well as the Risk Factors and the Cautionary Note Regarding Forward-Looking Statements included above.

OVERVIEW

The Company, through its subsidiary, Heat Waves Hot Oil Service, LLC ("Heat Waves"), provides a range of oil field services to the domestic onshore oil and gas industry through two segments: 1) Production services, which include hot oiling and acidizing, and 2) Completion and other services, which includes frac water heating. The Company owns and operates a fleet of approximately 338 specialized trucks, trailers, frac tanks and other well-site related equipment and serves customers in several major domestic oil and gas areas, including the DJ Basin/Niobrara area in Colorado and Wyoming, the Bakken area in North Dakota, the San Juan Basin in northwestern New Mexico, the Marcellus and Utica Shale areas in Pennsylvania and Ohio, the Jonah area, Green River and Powder River Basins in Wyoming and the Eagle Ford Shale in Texas.

RESULTS OF OPERATIONS

Executive Summary

Revenues for 2020 decreased by approximately $27.3 million, or 64%, from the comparable period last year due to weakness in domestic oil and gas activity levels driven by lower commodity prices, related pricing pressures, the broader impact of the OPEC+ supply cuts and the COVID-19 pandemic which began in March 2020, as well as above average temperatures in Oklahoma, Pennsylvania, and eastern Ohio during our busy season in the first quarter of 2020.

Segment profits for 2020 decreased by approximately $9.9 million or 118%, to a loss of approximately $1.5 million from a profit of approximately $8.4 million in 2019 due to the reasons noted above. Selling, general, & administrative expenses, excluding severance and transition costs and acquisition-related expenses, decreased by approximately $1.1 million for the year ended December 31, 2020, compared to 2019, due primarily to the implementation of several cost-cutting initiatives in response to the negative impacts to our business and revenues relating to the COVID-19 pandemic and decreases in oil prices, partially offset by the impact of approximately $301,000 of severance compensation due to the acceleration of vesting and additional restricted stock awards in connection with a separation agreement with the Company's former CEO during the second quarter of 2020. In 2020, the resignations of corporate staff, including our former Chief Executive Officer, resulted in severance and transition costs of approximately $145,000. In 2019, the resignation of our Chief Financial Officer resulted in severance and transition costs of approximately $83,000. Interest expense for 2020 decreased by approximately $1.1 million primarily due to the cessation of recording interest expense after the troubled debt restructuring of our Credit Facility during the third quarter of 2020.

For the year ended December 31, 2020, the Company incurred a net loss of approximately $2.5 million, or $0.60 per share, compared to a net loss of $7.7 million, or $2.06 per share, for the year ended December 31, 2019. The $5.2 million improvement in the net loss was primarily due to an $11.9 million gain on restructuring of the Credit Facility and the decrease in interest expense, partially offset by the decrease in segment profits.

Adjusted EBITDA for the year ended December 31, 2020 was a loss of approximately $5.7 million compared to approximately $2.8 million in earnings during 2019. Adjusted EBITDA is a non-GAAP number, and for a reconciliation to GAAP, see "Adjusted EBITDA" below.

Industry Overview

During 2020, West Texas Intermediate ("WTI") crude oil price averaged approximately $39.68 per barrel, versus an average of approximately $56.05 per barrel in 2019. The North American rig count declined to 351 rigs in operation as of December 31, 2020, compared to 805 rigs in operation at the same time a year ago. Despite the lower oil price environment and reduced rig count, we have grown our customer base and allocated resources to the most active basins. We are focused on increasing utilization levels and optimizing the deployment of our equipment and workforce while maintaining high standards for service quality and safe operations. We compete on the basis of the quality, breadth of our service offerings, and price.

The United States operational rig count bottomed out at approximately 244 in the fall of 2020 and increased to approximately 351 as of December 31, 2020 compared to approximately 805 as of December 31, 2019, which translated into decreased activity for the year ended December 31, 2020, compared to 2019.

Beginning in early March of 2020, the market experienced a precipitous decline in oil prices in response to oil demand concerns due to the economic impacts of the COVID-19 virus and anticipated increases in supply from Russia and OPEC, particularly Saudi Arabia. We expect that our customers will reduce activity during this period of commodity price weakness and will also seek price reductions for our services.

Segment Overview

Enservco's reportable business segments are Production Services and Completion and Other Services. These segments have been selected based on management's resource allocation and performance assessment in making decisions regarding the Company.

The following is a description of the segments.

Production Services: This segment utilizes a fleet of hot oil trucks and acidizing units to provide maintenance services to the domestic oil and gas industry. These services include hot oil services and acidizing services.

Completion and Other Services: This segment utilizes a fleet of frac water heating units to provide frac water heating services and related support services to the domestic oil and gas industry. These services also include other services, which consists primarily of hauling and transport of materials for customers.

Unallocated and other includes general overhead expenses and assets associated with managing all reportable operating segments which have not been allocated to a specific segment.

Segment Results

The following tables set forth revenue from operations and segment profits for our business segments for the fiscal years ended December 31, 2020 and 2019 (in thousands):

	For the Year Ended December 31,	
	2020	**2019**
REVENUES:		
Production services	$ 7,714	$ 14,704
Completion and other services	7,969	28,322
Total Revenues	$ 15,683	$ 43,026

	For the Year Ended December 31,	
	2020	**2019**
SEGMENT PROFIT (LOSS):		
Production services	$ (696)	$ 1,129
Completion and other services	(832)	7,290
Total Segment Profit (loss)	$ (1,528)	$ 8,419

<u>*Production Services:*</u>

For 2020, production service revenue decreased by approximately $7.0 million, or 48%, to $7.7 million. This decrease was primarily attributable to decreased activity levels related to an industry-wide downturn, which was the result of lower commodity prices and the impacts of COVID-19.

Hot oil revenues for the year ended December 31, 2020, decreased $5.2 million, or 42%, to $7.3 million compared to $12.4 million in 2019. These year-over-year declines were primarily driven by reduced activity due to the industry-wide downturn.

Acidizing revenues for the year ended December 31, 2020, decreased $1.8 million, or 80%, to $444,000 compared to $2.3 million in 2019. These year-over-year declines were primarily due to the industry-side downturn discussed above. The Company continues to pursue customers and partner with chemical suppliers to develop new cost-effective acid programs in seeking to expand our acidizing services across our service areas.

Segment profits for our Production services decreased $1.8 million, or 162%, in 2020 compared to 2019, primarily driven by reduced activity due to the industry-wide downturn discussed above.

Completion and Other Services:

Completion and other revenues, which consisted primarily of frac water heating revenues for the year ended December 31, 2020, decreased 72% to $8.0 million compared to $28.3 million in 2019 primarily due to the aforementioned industry-wide downturn, as well as above average temperatures in Oklahoma, Pennsylvania, and Eastern Ohio in the first quarter of 2020.

Segment profits for our Completion and other services decreased $8.1 million, or 111%, in 2020 compared to 2019, primarily driven by reduced activity due to the industry-wide downturn discussed above.

Geographic Areas:

The Company operates in three geographically diverse regions of the United States. The following table sets forth revenue from operations for the Company's three geographic regions during the fiscal years ended December 31, 2020 and 2019 (in thousands):

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
BY GEOGRAPHY:		
Production Services:		
Rocky Mountain Region (1)	$ 2,689	$ 6,515
Central USA Region (2)	4,552	7,449
Eastern USA Region (3)	473	740
Total Production Services	7,714	14,704
Completion and Other Services:		
Rocky Mountain Region (1)	6,601	21,535
Central USA Region (2)	108	3,223
Eastern USA Region (3)	1,260	3,564
Total Completion and Other Services	7,969	28,322
Total Revenues	$ 15,683	$ 43,026

Notes to tables:

(1) Includes the D-J Basin/Niobrara field (northeastern Colorado and southeastern Wyoming), the San Juan Basin (southeastern Colorado and Northeastern New Mexico), the Powder River and Green River Basins (northeastern and southwestern Wyoming), the Bakken area (western North Dakota and eastern Montana).

(2) Includes the Scoop/Stack Shale in Oklahoma during 2019 and the first quarter of 2020, and the Eagle Ford Shale in Southern Texas.

(3) Consists of the southern region of the Marcellus Shale formation (southwestern Pennsylvania and northern West Virginia) and the Utica Shale formation (eastern Ohio).

Production segment revenue in the Rocky Mountain Region decreased $3.8 million, or 59%, for the year ended December 31, 2020, compared to the prior year primarily due to a decrease in acidizing and hot oiling activity in the D-J Basin and a decrease in hot oiling activity in the Bakken Basin. Completion and other segment revenues in the Rocky Mountain Region decreased by approximately $14.9 million, or 69%, for the year ended December 31, 2020 compared to 2019 due to a decline in frac heating activity and demand for our services.

Production segment revenues in the Central USA region decreased approximately $2.9 million, or 39%, for the year ended December 31, 2020, compared to the year ended December 31, 2019, primarily due to less acidizing and hot oiling activity in the Eagle Ford Shale. Completion and other segment revenues in the Central USA region decreased by $3.1 million, or 97%, due to a decline in frac heating activity, above average temperatures in Oklahoma in the first quarter of 2020, and the closure of a facility.

Production segment revenues in the Eastern USA region $267,000, or 36%, for the year ended December 31, 2020, compared to the year ended December 31, 2019 primarily due to decreased hot oiling activity levels in the Marcellus and Utica Basins. Completion and other segment revenue in the Eastern USA region decreased by approximately $2.3 million, or 65%, for the year ended December 31, 2020, compared to the prior year resulting from a decline in frac heating activity in addition to above average temperatures in Pennsylvania and eastern Ohio during the first quarter of 2020.

Historical Seasonality of Revenues

Because of the seasonality of our frac water heating business and, to a lesser extent, our hot oiling busines s, revenues generated during the cooler first and fourth quarters of our fiscal year, constitute our “heating season,” and are typically significantly higher than revenues during the second and third quarters of our fiscal year. In addition, the revenue mix of our service offerings changes outside our heating season as our Completion and other services (which includes frac water heating) typically decrease as a percentage of total revenues and our Production services increase as a percentage of total revenue. Thus, the revenues recognized in our quarterly financial statements in any given period are not indicative of the annual or quarterly revenues through the remainder of that fiscal year.

As an indication of this quarter-to-quarter seasonality, the Company generated revenues of $11.8 million, or 75%, of its 2020 revenues during the first and fourth quarters of 2020 compared to $3.9 million, or 25%, of 2020 revenues during the second and third quarters of 2020. In 2019, the Company generated revenues of $32.9 million, or 76%, of its 2019 revenues during the first and fourth quarters of 2019 compared to $10.1 million, or 24%, of 2019 revenues during the second and third quarters of 2019.

Direct Operating Expenses

Direct operating expenses, which include labor costs, propane, fuel, chemicals, truck repairs and maintenance, supplies, insurance, short-term rental costs and site overhead costs for our operating segments decreased by approximately $17.4 million or 50% during 2020 compared to 2019, resulting primarily from the decrease in revenue discussed above, partially offset by cost-cutting measures enacted by management and efficiencies from the consolidation of Adler operations into Heat Waves.

Sales, General and Administrative Expenses

Sales, general and administrative expenses decreased approximately $1.2 million, or 19%, to $5.0 million in 2020 compared to $6.2 million in 2019 primarily due to cost-cutting measures enacted by management which resulted in a decrease in payroll costs as a direct result of the reduction in the size of our management team and a decrease in general office expenses, partially offset by an increase in professional fees related to additional legal and accounting fees related to the refinance and restructuring of our Credit Facility as well as an increase in stock compensation expenses in connection with the resignation of our former Chief Executive Officer.

Depreciation and Amortization

Depreciation and amortization expense for the year ended December 31, 2020 dec reased approximately $410,000, or 7%, from 2019 primarily due to the disposal of assets.

Severance and Transition Costs

During the year ended December 31, 2020, the Company recognized severance and transitions costs of approximately $145,000, primarily related to the departure of personnel including its former Chief Executive Officer. During the year ended December 31, 2019, the Company recognized costs of approximately $83,000 related to the departure of its former Chief Financial Officer. As discussed above, the Company also recorded $301,000 in stock compensation expense during the second quarter of 2020 in connection with the separation agreement with our former Chief Executive Officer, which is included in sales, general and administrative expenses.

Loss from Operations

For the year ended December 31, 2020, the Company recognized a loss from operations of $12.7 million compared to a loss of $3.6 million for 2019. The increased loss of $9.1 million was primarily due to the industry-wide downturn described above, partially offset by cost-cutting measures enacted by management.

Interest Expense

Interest expense decreased approximately $1.1 million, or 40%, from 2019. The decrease was primarily due to the cessation of recording interest expense after the troubled debt restructuring of our Credit Facility during the third quarter of 2020.

Discontinued Operations

Loss from discontinued operations for the year ended December 31, 2020 was $107,000, compared to a loss from discontinued operations of approximately $2.3 million, or a 95% improvement compared to 2019. Income from discontinued operations for the year ended December 31, 2020 includes a gain on disposal of equipment of approximately $71,000.

Income Taxes

As of December 31, 2020, the Company had recorded a full valuation allowance on a net deferred tax asset of $4.8 million. Our income tax provision of $0.6 million for the year ended December 31, 2020, reduced the gross amount of the deferred tax asset and we reduced the valuation allowance by a like amount, which resulted in a net tax expense of approximately $12,000 in 2020, compared to $32,000 in 2019.

Adjusted EBITDA*

Management believes that, for the reasons set forth below, Adjusted EBITDA (a non-GAAP measure) is a valuable measurement of the Company's liquidity and performance and is consistent with the measurements offered by other companies in Enservco's industry.

The following table presents a reconciliation of our net income to Adjusted EBITDA for years ended December 31, 2020 and 2019 (in thousands):

	For the Year Ended December 31,	
	2020	**2019**
Net loss	$ (2,509)	$ (7,652)
Add back		
Interest expense (including discontinued operations)	1,698	2,808
Provision for income tax expense	12	32
Depreciation and amortization (including discontinued operations)	5,308	6,870
EBITDA*	4,509	2,058
Add back (deduct)		
Stock-based compensation	392	275
Severance and transition costs	145	83
Patent litigation and defense cost	-	10
One-time software expense	-	64
Impairment loss	733	127
Loss (gain) on sale and disposal of equipment (including discontinued operations)	115	(80)
Gain on debt restructuring	(11,916)	-
Gain on settlement	-	(1,252)
Adler consolidation	55	156
Other expense	246	153
EBITDA related to discontinued operations	11	1,172
Adjusted EBITDA	$ (5,710)	$ 2,766

*Note: See below for discussion of the use of non-GAAP financial measurements.

Use of Non-GAAP Financial Measures: Non-GAAP results are presented only as a supplement to the financial statements and for use within management's discussion and analysis based on U.S. generally accepted accounting principles (GAAP). The non-GAAP financial information is provided to enhance the reader's understanding of the Company's financial performance, but no non-GAAP measure should be considered in isolation or as a substitute for financial measures calculated in accordance with GAAP. Reconciliations of the most directly comparable GAAP measures to non-GAAP measures are provided herein.

EBITDA is defined as net income, before interest expense, income taxes, and depreciation and amortization. Adjusted EBITDA excludes noncash stock-based compensation from EBITDA and, when appropriate, other items that management does not utilize in assessing the Company's ongoing operating performance as set forth in the next paragraph. None of these non-GAAP financial measures are recognized terms under GAAP and do not purport to be an alternative to net income as an indicator of operating performance or any other GAAP measure.

All of the items included in the reconciliation from net income to EBITDA and from EBITDA to Adjus ted EBITDA are either (i) non-cash items (e.g., depreciation, amortization of purchased intangibles, stock-based compensation, impairment losses, etc.) or (ii) items that management does not consider to be useful in assessing the Company's ongoing operating performance (e.g., income taxes, gain or losses on sale of equipment, acquisition-related expenses, patent litigation and defense costs, severance and transition costs, the gain on settlement as discussed in Note 4 of the accompanying Notes to the Condensed Consolidated Financial Statements, impairment loss, one-time software expenses, the expenses to consolidate former Adler facilities, other expense (income), EBITDA related to discontinued operations, etc.). In the case of the non-cash items, management believes that investors can better assess the company's operating performance if the measures are presented without such items because, unlike cash expenses, these adjustments do not affect the Company's ability to generate free cash flow or invest in its business.

We use, and we believe investors benefit from the presentation o f, EBITDA and Adjusted EBITDA in evaluating our operating performance because it provides us and our investors with an additional tool to compare our operating performance on a consistent basis by removing the impact of certain items that management believes do not directly reflect our core operations. We believe that EBITDA is useful to investors and other external users of our financial statements in evaluating our operating performance because EBITDA is widely used by investors to measure a company's operating performance without regard to items such as interest expense, taxes, and depreciation and amortization, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired.

Because not all companies use identical calculations, the Company's presentation of non-GAAP financial measures may not be comparable to other similarly titled measures of other companies. However, these measures can still be useful in evaluating the Company's performance against its peer companies because management believes the measures provide users with valuable insight into key components of GAAP financial disclosures.

Changes in Adjusted EBITDA*

Adjusted EBITDA from operations declined by approximately $8.5 million to a loss of $5.7 million for the year ended December 31, 2020 compared to adjusted EBITDA of $2.8 million for 2019, primarily due the decline in segment profits described above, the $11.9 million reduction for the non-cash gain on the restructuring of our Credit Facility and the decreases in interest expense and depreciation and amortization as discussed above.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes our statements of cash flows for the years ended December 31, 2020 and 2019 and (combined with the working capital table and discussion below) is important for understanding our liquidity (amounts in thousands):

	Years Ended December 31,	
	2020	2019
Net cash (used in) provided by operating activities	$ (4,443)	$ 4,467
Net cash provided by (used in) investing activities	1,027	(458)
Net cash provided by (used in) financing activities	4,220	(3,603)
Net increase in Cash and Cash equivalents	804	406
Cash and Cash Equivalents, beginning of period	663	257
Cash and Cash Equivalents, end of period	$ 1,467	$ 663

The following table sets forth a summary of certain aspects of our balance sheet at December 31, 2020 and 2019:

	Years Ended December 31, 2020	Years Ended December 31, 2019
Current Assets	$ 4,880	$ 8,731
Total Assets	30,183	42,976
Current Liabilities	4,574	42,119
Total Liabilities	27,628	45,652
Working Capital (Current Assets net of Current Liabilities)	306	(33,388)
Stockholders' Equity (Deficit)	2,555	(2,676)

Overview

We have accomplished several capitalization initiatives in the past year that have positioned us into a much more favorable liquidity situation. We successfully completed two equity offerings during late 2020 and early 2021 that provided net proceeds of $12.5 million. Additionally, we entered into two amendments during the in late third quarter 2020 and the first quarter of 2021 that provided us with significant relief under our Credit Facility, including a $16.0 million principal reduction, and two extensions of the debt which now matures on October 15, 2022. Upon closing on our second equity offering, which closed on February 11, 2021, we made a $3.0 million principal payment on our Credit Facility.

We have relied on cash flow from operations and borrowings under the $1.0 million line of credit under our Credit Facility to satisfy our liquidity needs. Due to the funding from the two equity offerings and the restructuring and further extension of the Credit Facility, we have ample capital resources to fund operational requirements beyond the next twelve months. At December 31, 2020, in addition to cash of $1.5 million, we had $0.3 million available under the Credit Facility. Our capital requirements for 2021 are anticipated to include, but are not limited to, operating expenses, debt servicing, and capital expenditures, including maintenance of our existing fleet of assets. Under our Amended 2017 Credit Agreement, we are restricted to capital expenditures of $1.2 million during 2021.

Liquidity

As of December 31, 2020, our available liquidity was $1.8 million which represented $1.5 million in our cash balance and $0.3 million availability on the line of credit under our 2017 Credit Facility. We utilize the line of credit under our 2017 Credit Facility to fund working capital requirements and investments, and during the year ended December 31, 2020, we repaid net cash borrowings from our various lines of credit of approximately $795,000 and additionally received $1.9 million in cash proceeds from the PPP Loan.

Working Capital

As of December 31, 2020, we had working capital of approximately $306,000, compared to a working capital deficit of $33.4 million as of December 31, 2019. The $33.7 million increase in working capital was primarily attributable to; 1) the restructuring and subsequent extension of our 2017 Credit Agreement to October 15, 2022; 2) the cure of previous defaults under our 2017 Credit Agreement that allowed us to reclassify our subordinated debt with a shareholder to long-term debt; and 3) an increase in cash and cash equivalents and a decrease in accounts payable and accrued liabilities as of December 31, 2020 compared to December 31, 2019, partially offset by an decrease in our accounts receivable, net balance as of December 31, 2020 compared to December 31, 2019.

Deferred Tax Asset, net

As of December 31, 2020, the Company had recorded a valuation allowance to reduce its net deferred tax assets to zero.

Cash Flow from Operating Activities

Cash used in operating activities for the year ended December 31, 2020 was $4.4 million compared to cash provided by operating activities of $4.5 million during 2019. The $8.9 million decrease was primarily due to the decrease in cash flows related to the change in accounts payable balances during the year ended December 31, 2020 compared to 2019, the non-cash impact on earnings of the gain on restructuring of our Credit Facility, partially offset by the increase in cash provided by the monetization of accounts receivable and the decrease in our net loss.

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Cash Flow from Investing Activities

Cash provided by investing activities for the year ended December 31, 2020 was $1.0 million compared to cash used in investing activities of $458,000 during 2019. The $1.5 million increase was primarily attributable to the decrease in purchases of property and equipment and increases in proceeds from the sale of assets and insurance settlements.

Cash Flow from Financing Activities

Cash provided by financing activities for year ended December 31, 2020 was $4.2 million compared to cash used in financing activities of $3.6 million for the year ended 2019. The $7.8 million increase was primarily due to net proceeds from stock issuances, proceeds from the PPP Loan and the impact during 2019 of our repayment of the Seller Subordinated Note related to the purchase of Adler.

Outlook

Over the past three years we have invested significantly in process improvement initiatives designed to make the Company operate more efficiently and take better advantage of our expanded fleet and national leadership position in frac water heating. We face a very difficult operating environment in 2021 with exploration and production companies significantly cutting back their drilling and completions plans and exerting significant pressure on us to reduce our prices for the services we provide. In order to position us in a more sustainable liquidity situation, we successfully completed two equity offerings during late 2020 and early 2021 that provided net proceeds of $12.5 million. Additionally, we entered into two amendments during the in late third quarter 2020 and the first quarter of 2021 that provided us with significant relief under our Credit Facility, including a $16.0 million principal reduction, and two extensions of the debt which now matures on October 15, 2022. Upon closing on our second equity offering, which closed on February 11, 2021, we made a $3.0 million principal payment on our Credit Facility. Our business is heavily dependent on exploration and production activity levels, which fluctuate based on commodity prices, capital budgets and other factors. Activity levels significantly declined throughout 2020 due to the depression of , commodity prices and the impacts of COVID-19. We continue to seek opportunities to expand our business operations through organic growth, including increasing the volume of current services offered to our new and existing customers. We will also continue to expand our customer relationships while maintaining an appropriate balance between recurring maintenance work and drilling and completion related services.

Capital Commitments and Obligations

Our capital obligations as of December 31, 2020 consist primarily the 2017 Credit Agreement which matures October 15, 2022. In addition, we also have scheduled principal payments under certain term loans, finance leases and operating leases. General terms and conditions for amounts due under these commitments and obligations are summarized in the notes to the financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles req uires management to make a variety of estimates and assumptions that affect (i) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and (ii) the reported amounts of revenues and expenses during the reporting periods covered by the financial statements.

Our management routinely makes judgments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the future resolution of the uncertainties increase, these judgments become even more subjective and complex. Although we believe that our estimates and assumptions are reasonable, actual results may differ significantly from these estimates. Changes in estimates and assumptions based upon actual results may have a material impact on our results of operation and/or financial condition. Our significant accounting policies are disclosed in Note 2 in the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K.

While all of the significant accounting estimates are important to the Company 's financial statements, the following accounting policies and the estimates derived there from have been identified as being critical.

Accounts Receivable

Accounts receivable are stated at the amounts billed to customers, net of an allowance for uncollectible accounts. The Company provides an allowance for uncollectable accounts based on a review of outstanding receivables, historical collection information and existing economic conditions. The allowance for uncollectible amounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses. The allowance is management's best estimate of uncollectible amounts and is determined based on historical collection experience related to accounts receivable coupled with a review of the current status of existing receivables. The losses ultimately incurred could differ materially in the near term from the amounts estimated in determining the allowance.

Long-Lived Assets

The Company reviews its long-lived assets, including property and equipment, for impa irment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Company looks primarily to the discounted future cash flows in its assessment of whether or not long-lived assets have been impaired.

Income Taxes

The Company recognizes deferred tax liabilities and assets based on the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities will be recognized in income in the period that includes the enactment date. Deferred income taxes are classified as a net current or non-current asset or liability based on the classification of the related asset or liability for financial reporting purposes. A deferred tax asset or liability that is not related to an asset or liability for financial reporting is classified according to the expected reversal date. The Company records a valuation allowance to reduce deferred tax assets to an amount that it believes is more likely than not expected to be realized.

The Company accounts for any uncertainty in income taxes by recognizing the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company measures the tax benefits recognized in the financial statements from such a position based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, the Company is required to make many subjective assumptions and judgments regarding income tax exposures. Interpretations of and guidance surrounding income tax law and regulations change over time and may result in changes to the Company's subjective assumptions and judgments which can materially affect amounts recognized in the consolidated balance sheets and consolidated statements of income. The result of the reassessment of the Company's tax positions did not have an impact on the consolidated financial statements.

Interest and penalties associated with tax positions are recorded in the period assessed as income tax expense. The Company files income tax returns in the United States and in the states in which it conducts its business operations. The Company's United States federal income tax filings for tax years 2015 through 2019 remain open to examination. In general, the Company's various state tax filings remain open for tax years 2015 to 2019.

Business Combinations

We utilize the purchase method to account for acquisitions of businesses and assets. The value of the purchase consideration takes into account the degree to which the consideration is objective and measurable such as cash consideration paid to a seller. Pursuant to purchase method accounting, we allocate the cost of the acquisition to assets acquired and liabilities assumed based on fair values as of the acquisition date. The purchase price allocations are based on appraisals, discounted cash flows, quoted market prices and estimates by management.

In estimating the fair values of assets acquired and liabilities assumed, we make various assumptions. The most significant assumptions relate to the estimated fair values assigned to intangible assets. To estimate the fair values of these assets, we employed the income, market, or a cost approach, as appropriate. The income valuation method represents the present value of future cash flows over the life of the asset using: (i) discrete financial forecasts, which rely on management's estimates of volumes, commodity prices, revenue and operating expenses; (ii) long-term growth rates; and (iii) appropriate discount rates. The market valuation method uses prices paid for a reasonably similar asset by other purchasers in the market, with adjustments relating to any differences between the assets. The cost valuation method is based on the replacement cost of a comparable asset at prices at the time of the acquisition reduced for depreciation of the asset.

Stock-based Compensation

Stock-based compensation cost is measured at the date of grant, based on the calculated fair value of the award as described below, and is recognized over the requisite service period, which is generally the vesting period of the equity grant.

The Company uses the Black-Scholes pricing model as a method for determining the estimated grant date fair value for all stock options awarded to employees, independent contractors, officers, and directors. The expected term of the options is based upon evaluation of historical and expected exercise behavior. The risk-free interest rate is based upon U.S. Treasury rates at the date of grant with maturity dates approximately equal to the expected life of the grant. Volatility is determined upon historical volatility of our stock and adjusted if future volatility is expected to vary from historical experience. The dividend yield is assumed to be none as we have not paid dividends nor do we anticipate paying any dividends in the foreseeable future.

The Company used the market-value of Company stock to determine the fair value of the performance-based restricted stock awards. The fair-value is updated quarterly based on actual forfeitures.

The Company used a Lattice model to determine the fair value of market-based restricted stock awards.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined in Rule 12b-2 of the Exchange Act and are not required to provide the information under this Item.

ITEM 8. FINANCIAL STATEMENTS

ENSERVCO CORPORATION AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Enservco Corporation

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Enservco Corporation (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the years in the two-year period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

The Company's management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. 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 audits 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 audits 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 audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits 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 audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which they relate.

Impairment Assessment over Long-lived Assets – Refer to Notes 2 and 3 to the financial statements

Critical Audit Matter Description

The Company's long-lived assets were $63.2 million and related depreciation and amortization was $42.3 million as of December 31, 2020. The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recovered. The Company reviews both qualitative and quantitative aspects of the business during the analysis of impairment. During the first quarter of 2020, the combination of the COVID-19 pandemic and actions taken by the OPEC+ countries caused oil and gas commodity demand to decrease significantly. The Company determined that these were triggering events which could indicate impairment of its long-lived assets. During the quantitative review, the Company reviewed the undiscounted future cash flows in its assessment of whether long-lived assets were impaired. The Company determined that there was no impairment of its long-lived assets during the twelve months ended December 31, 2020.

We identified the Company's impairment assessment over long-lived assets as a critical audit matter. The principal considerations for our determination include the high degree of management subjectivity in determining significant assumptions included in the Company's undiscounted cash flows model, which include management's estimates related to forecasted future growth rates and demand for services. Performing audit procedures and evaluating audit evidence obtained related to these considerations required a high degree of auditor judgement and effort.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures performed to address this critical audit matter included the following, among others:

- We obtained an understanding of management's process to develop their estimates included in the impairment assessment of long-lived assets. We also evaluated the design of key controls used by management to develop their estimates.
- We evaluated the reasonableness of the Company's undiscounted cash flow forecast used in the impairment assessment by performing inquiries with management, comparing prior period forecasts to actual results, and considering positive and negative evidence impacting management's forecasts. We tested the mechanical accuracy of the amounts and formulas included in the Company's undiscounted cashflow assessment and agreed long-lived asset balances to the Company's consolidated general ledger.

Management's Assessment over Going Concern – Refer to Note 2 to the financial statements

Critical Audit Matter Description

The Company's financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realization of assets and settlement of liabilities in the normal course of business. For the twelve months ended December 31, 2020 and 2019, the Company incurred net losses of $1.4 million and $7.7 million, respectively. As of December 31, 2020, the Company had total current assets of $4.4 million, which slightly exceeded their total current liabilities by $24,000. As of December 31, 2019, the Company had total current liabilities of $42.1 million, which exceeded their total current assets of $8.7 million by $33.4 million. Due to the recent developments and improvements to their financial position as discussed in Note 2 to the consolidated financial statements, including conversion of related party debt to equity, certain modifications and extension of maturity on the Company's East West Bank Revolving Credit Facility, and proceeds from the September 28, 2020 at-the-market offering, the Company believes there is no substantial doubt over their ability to continue as a going concern from one year after the date of issuance of the audited consolidated financial statements, or March 23, 2021.

We identified the Company's assessment over going concern as a critical audit matter. The principal considerations for our determination include the high degree of management subjectivity in determining significant assumptions included in the Company's estimation of future cash flows, which include management's estimates related to future operations. Performing audit procedures and evaluating audit evidence obtained related to these considerations required a high degree of auditor judgement and effort.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures performed to address this critical audit matter included the following, among others:

- We obtained an understanding of management's process to develop their estimates included in the future cash flows assessment. We also evaluated the design of key controls used by management to develop their estimates.
- We tested the reasonableness of the forecasted revenue, operating expenses, and uses and sources of cash flows in management's assessment of whether the Company has sufficient liquidity to fund operations for at least one year from the financial statement issuance date. This testing included inquiries with management, comparison of prior period forecasts to actual results, consideration of positive and negative evidence impacting management's forecasts, the Company's financing arrangements in place as of the report date, market and industry factors.
- We reviewed subsequent events, compliance with terms of the debt agreement, read Board of Director meeting minutes, and performed inquiries with those charged with governance.
- We also evaluated the adequacy of the Company's disclosures in Note 2 in relation to the going concern uncertainty matter.

We have served as the Company's auditor since 2010.

Plante & Moran, PLLC

Denver, Colorado
March 23, 2021

ENSERVCO CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands)

	December 31, 2020	December 31, 2019
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,467	$ 663
Accounts receivable, net	1,733	6,424
Prepaid expenses and other current assets	858	1,016
Inventories	295	398
Income tax receivable, current	-	43
Assets held for sale	527	-
Current assets of discontinued operations	-	187
Total current assets	4,880	8,731
Property and equipment, net	20,317	26,620
Goodwill	546	546
Intangible assets, net	617	828
Income tax receivable, non-current	-	14
Right-of-use asset - finance, net	129	569
Right-of-use asset - operating, net	2,918	3,793
Other assets	423	445
Non-current assets of discontinued operations	353	1,430
TOTAL ASSETS	$ 30,183	$ 42,976
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable and accrued liabilities	$ 1,931	$ 4,470
Senior revolving credit facility, related party (including future interest payable of $892 and $0, respectively - see Note 2 and Note 7)	1,593	33,994
Subordinated debt, related party (Note 2)	-	2,381
Lease liability - finance, current	65	207
Lease liability - operating, current	854	848
Current portion of long-term debt	100	147
Current liabilities of discontinued operations	31	72
Total current liabilities	4,574	42,119
Long-Term Liabilities		
Senior revolving credit facility, related party (including future interest payable of $485 and $0, respectively - see Note 2 and Note 7)	17,485	-
Subordinated debt, related party (Note 2)	1,180	-
Long-term debt, less current portion	2,052	198
Lease liability - finance, less current portion	55	259
Lease liability - operating, less current portion	2,185	3,009
Other liabilities	88	33
Long-term liabilities of discontinued operations	9	34
Total long-term liabilities	23,054	3,533
Total liabilities	27,628	45,652
Commitments and contingencies (Note 12)		
Stockholders' Equity (Deficit)		
Preferred stock. $0.005 par value, 10,000,000 shares authorized, no shares issued or outstanding	-	-
Common stock. $0.005 par value, 100,000,000 shares authorized, 6,307,868 and 3,709,522 shares issued as of December 31, 2020 and December 31, 2019, respectively; 6,907 shares of treasury stock as of December 31, 2020 and 2019; and 6,300,961 and 3,702,615 shares outstanding December 31, 2020 and December 31, 2019, respectively	32	19
Additional paid-in-capital	30,052	22,325
Accumulated deficit	(27,529)	(25,020)
Total stockholders' equity (deficit)	2,555	(2,676)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 30,183	$ 42,976

See accompanying notes to consolidated financial statements.

ENSERVCO CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
(In thousands)

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Revenues		
Production services	$ 7,714	$ 14,704
Completion and other services	7,969	28,322
Total revenues	15,683	43,026
Expenses		
Production services	8,410	13,575
Completion and other services	8,801	21,032
Sales, general and administrative expenses	5,002	6,153
Patent litigation and defense costs	-	10
Severance and transition costs	145	83
Loss (gain) on disposal of equipment	47	(73)
Impairment loss	733	127
Depreciation and amortization	5,282	5,692
Total operating expenses	28,420	46,599
Loss from operations	(12,737)	(3,573)
Other income (expense)		
Interest expense	(1,695)	(2,805)
Gain on restructuring of senior revolving credit facility (Note 7)	11,916	-
Gain on settlement	-	1,252
Other income (expense)	126	(162)
Total other income (expense)	10,347	(1,715)
Loss from continuing operations before income tax expense	(2,390)	(5,288)
Income tax expense	(12)	(32)
Loss from continuing operations	$ (2,402)	$ (5,320)
Loss from discontinued operations (Note 6)	(107)	(2,332)
Net loss	$ (2,509)	$ (7,652)
Loss from continuing operations per common share – basic and diluted	$ (0.57)	$ (1.43)
Loss from discontinued operations per common share – basic and diluted	(0.03)	(0.63)
Net loss per share – basic and diluted	$ (0.60)	$ (2.06)
Weighted average number of common shares outstanding – basic and diluted	4,174	3,713

See accompanying notes to consolidated financial statements.

ENSERVCO CORPORATION AND SUBSIDIARIES
Consolidated Statement of Stockholders' Equity (Deficit)
(In thousands)

	Common Shares		Common Stock		Additional Paid-in Capital		Accumulated Earnings (Deficit)		Total Stockholders' Equity (Deficit)
Balance at January 1, 2019	3,619	$	18	$	22,050	$	(17,466)	$	4,602
Opening balance adjustment	-		-		-		98		98
Stock-based compensation, net of issuance costs	-		-		277		-		277
Restricted share issuances	102		1		(2)		-		(1)
Restricted share cancellations	(18)		-		-		-		-
Net loss	-		-		-		(7,652)		(7,652)
Balance at December 31, 2019	3,703	$	19	$	22,325	$	(25,020)	$	(2,676)
Stock-based compensation, net of issuance costs	-		-		392		-		392
Shares issued in at the market offering, net of offering costs (Note 2)	1,694		8		3,293		-		3,301
Shares issued to Cross River Partners, L.P. in subordinated debt and accrued interest conversion (Note 2)	404		2		1,513		-		1,515
Shares and warrants issued to East West Bank in senior revolving credit facility debt restructuring (Note 2 and Note 7)	533		3		2,529		-		2,532
Unrestricted share issuance	6		-		-		-		-
Restricted share cancellations	(50)		-		-		-		-
Additional shares issued due to rounding up of fractional shares in connection with reverse stock split	11		-		-		-		-
Net loss	-		-		-		(2,509)		(2,509)
Balance at December 31, 2020	6,301	$	32	$	30,052	$	(27,529)	$	2,555

See accompanying notes to consolidated financial statements.

ENSERVCO CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)

	For the Year Ended December 31, 2020	2019
OPERATING ACTIVITIES		
Net loss	$ (2,509)	$ (7,652)
Net loss from discontinued operations	(107)	(2,332)
Net loss from continuing operations	(2,402)	(5,320)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,282	5,692
Loss (gain) on disposal of property and equipment	47	(73)
Impairment loss	733	127
Gain on settlement	-	(1,252)
Stock-based compensation	392	275
Amortization of debt issuance costs and discount	131	321
Gain on restructuring of senior revolving credit facility	(11,916)	-
Gain on early termination of finance leases	(3)	-
Interest paid-in-kind on line of credit	326	-
Lease termination expense	-	62
Provision for bad debt expense	140	160
Changes in operating assets and liabilities		
Accounts receivable	4,551	3,257
Inventories	103	116
Prepaid expenses and other current assets	157	17
Income taxes receivable	43	43
Amortization of operating lease assets	829	736
Other assets	1	274
Accounts payable and accrued liabilities	(2,272)	1,328
Operating lease liabilities	(771)	(727)
Other liabilities	54	44
Net cash (used in) provided by operating activities - continuing operations	(4,575)	5,080
Net cash provided by (used in) operating activities - discontinued operations	132	(613)
Net cash (used in) provided by operating activities	(4,443)	4,467
INVESTING ACTIVITIES		
Purchases of property and equipment	(361)	(1,191)
Proceeds from insurance claims	294	49
Proceeds from disposal of property and equipment	329	284
Net cash provided by (used in) investing activities - continuing operations	262	(858)
Net cash provided by investing activities - discontinued operations	765	400
Net cash provided by (used in) investing activities	1,027	(458)
FINANCING ACTIVITIES		
Gross proceeds from stock issuance	3,597	-
Stock issuance costs and registration fees	(296)	-
Net line of credit (repayments) borrowings	(795)	61
Proceeds from issuance of long-term debt	1,940	500
Repayment of long-term debt	(134)	(115)
Repayment of note	-	(3,700)
Payments of finance leases	(159)	(326)
Proceeds from sale of finance lease assets	67	-
Other financing	-	(1)
Net cash provided by (used in) financing activities - continuing operations	4,220	(3,581)
Net cash used in financing activities - discontinued operations	-	(22)
Net cash provided by (used in) financing activities	4,220	(3,603)
Net increase in Cash and Cash Equivalents	804	406
Cash and Cash Equivalents, beginning of period	663	257
Cash and Cash Equivalents, end of period	$ 1,467	$ 663

ENSERVCO CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)

Supplemental cash flow information:				
Cash paid for interest	$	1,414	$	2,281
Cash paid for income taxes		2		32
Supplemental Disclosure of Non-cash Investing and Financing Activities:				
Non-cash reduction of senior revolving credit facility	$	16,000	$	-
Non-cash issuance of common stock and warrants in connection with restructuring of senior revolving credit facility		2,532		-
Non-cash conversion of subordinated debt and accrued interest to common stock		1,515		-
Non-cash conversion of accrued interest to senior revolving credit facility debt		326		-
Non-cash proceeds from senior revolving credit facility debt		-		125

See accompanying notes to consolidated financial statements.

Note 1 – Basis of Presentation

Enservco Corporation ("Enservco") through its wholly owned subsidiaries (collectively referred to as the "Company", "we" or "us") provides various services to the domestic onshore oil and natural gas industry. These services include frac water heating (Completion and other services); and hot oiling and acidizing (Production services).

The accompanying condensed consolidated financial statements have been derived from the accoun ting records of Enservco Corporation, Heat Waves Hot Oil Service LLC ("Heat Waves"), Dillco Fluid Service, Inc. ("Dillco"), Heat Waves Water Management LLC ("HWWM"), and Adler Hot Oil Service, LLC ("Adler") (collectively, the "Company") as of December 31, 2020 and 2019 and the results of operations for the years then ended.

The below table provides an overview of the Company 's current ownership hierarchy:

Name	State of Formation	Ownership	Business
Heat Waves Hot Oil Service LLC	Colorado	100% by Enservco	Oil and natural gas well services, including logistics and stimulation.
Adler Hot Oil Service, LLC	Delaware	100% by Enservco	Operations integrated into Heat Waves during 2019.
Heat Waves Water Management LLC	Colorado	100% by Enservco	Discontinued operations in 2019.
Dillco Fluid Service, Inc.	Kansas	100% by Enservco	Discontinued operation in 2018.
HE Services LLC	Nevada	100% by Heat Waves	No active business operations. Owns construction equipment used by Heat Waves.

The accompanying consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All significant inter-company balances and transactions have been eliminated in the accompanying consolidated financial statements.

Note 2 - Summary of Significant Accounting Policies and Recent Developments

Recent Developments and Going Concern Assessment

As of December 31, 2019, On August 10, 2017, we entered into the 2017 Credit Agreement, as amended, with East West Bank (the "2017 Credit Agreement") which provided for a three-year, $37.0 million senior secured revolving credit facility (the "Credit Facility"). On September 23, 2020, the Company and East West Bank entered into the Fifth Amendment to Loan and Security Agreement and Waiver (the "Fifth Amendment") which, among other things, provided for a loan concession of $16.0 million in exchange for 533,334 shares of Company common stock and a warrant to purchase up to 1,000,000 additional shares of Company common stock in the future, as well as further extending the maturity date for the repayment of the Credit Facility to October 15, 2021. On February 1, 2021, we entered into the Sixth Amendment to Loan and Security Agreement (the "Sixth Amendment") which extended the maturity date of the loan for an additional year to October 15, 2022, and modified certain covenants.

The Fifth Amendment modified certain covenants and cured our previous breaches of two covenants. The Fifth Amendment caused us to regain compliance with both our Credit Facility and subordinated debt agreements with a related party, and we have since complied with the new compliances set forth under the Fifth Amendment and Sixth Amendment.

On August 13, 2020, the Company's Board of Directors approved a transaction to exchange 50%, or $1.25 million, of our subordinated debt with Cross River Partners, L.P., a related party, as well as $265,000 in accrued interest, for 403,602 shares of Company common stock. This transaction was finalized on September 15, 2020. On February 3, 2021, the Company exchanged the remaining 50%, or $1.25 million, of our subordinated debt with Cross River Partners, L.P., as well as $62,000 in accrued interest, for 601,674 shares of Company common stock, which was based on the price of Company common stock at market close on the date of the conversion. In addition, the Company awarded a warrant Cross River Partners, L.P. to purchase up to 150,418 additional shares of Company common stock in the future at an exercise price of $2.507 per share. The warrant for the 150,418 shares is exercisable beginning February 3, 2022 until February 3, 2026.

On September 28, 2020, the Company filed a prospectus supplement to finalize the S-3 (the "Shelf Registration") that was filed on July 24, 2020. On September 29, 2020, in connection with the Shelf Registration, the Company, through its sales agent Alliance Global Partners ("AGP"), released an at-the-market offering (the "Public Offering") which was designed to raise capital by issuing securities into the trading market, over-time, at the then-market price of the securities at the time they are sold. As a result of the Public Offering, we sold 1,694,219 shares of Company common stock, and collected net proceeds of $3.5 million.

On February 4, 2021, the Company filed an S-1/A to finalize the S-1 (the "Second Public Offering") that was filed on January 21, 2021. On February 10, 2021, through its sales agent AGP, the Company priced and closed the Second Public Offering and issued 4,199,998 of Company common stock into the trading market at a price of $2.30 per share. As a result of the Second Public Offering, the Company collected net proceeds of $9.0 million. The Company made a $3.0 million principal payment on the Credit Facility upon the funding of the Second Public Offering.

Our financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realization of assets and settlement of liabilities in the normal course of business. For the twelve months ended December 31, 2020 and 2019, we incurred net losses of $2.5 million and $7.7 million, respectively. As of December 31, 2020, we had total current assets of $4.9 million and total current liabilities of $4.6 million, or working capital of $306,000. As of December 31, 2019, we had total current liabilities of $42.1 million, which exceeded our total current assets of $8.7 million, or a working capital deficit of $33.4 million. During 2020, Company management underwent a thorough analysis of costs incurred by the Company including payroll and related costs, capital expenditures and profitability of our segments. As such, hiring practices and headcount were significantly modified and reduced, and unprofitable locations were closed. Due to the recent developments and the improvements to our financial position noted above, the Company believes there is no longer substantial doubt over our ability to continue as a going concern from one year after the date of issuance of our audited financial statements, or March 23, 2022.

Recent Market Conditions

The COVID-19 pandemic has significantly impacted the world economic conditions including in the United States, with significant effects beginning in February 2020, and continuing through the issuance of this report, as federal, state and local governments react to the public health crisis, creating significant uncertainties relating to the United States economy. Consequently, the Company has experienced and expects to further experience a material adverse impact on its revenues, results of operations and cash flows. COVID-19 related quarantines and business restrictions had a depressing impact on United States oil demand, and hence our business, during the latter half of March through much of the second quarter. The situation continues to change rapidly and additional impacts to our business may arise that we are not aware of currently. We cannot predict whether, when or the manner in which the conditions surrounding COVID-19 will change including the timing of lifting any restrictions or office closure requirements.

In addition, certain producing countries within the Organization of Petroleum Exporting Countries and their allies ("OPEC+") group attempted to increase market share through pricing activity that has had limited impact on the severe decline in domestic oil prices that occurred during the first quarter of 2020, and drilling and operating activity within our markets has remained depressed. There is no assurance that such efforts will not re-occur in the future.

The full extent of the impact of COVID-19 and OPEC+ actions on our operations and financial performance depends on future developments that are uncertain and unpredictable, including the duration and spread of the pandemic, its impact on capital and financial markets, any new information that may emerge concerning the severity of the virus, its spread to other regions as well as the actions taken to contain it, production response of domestic oil producers to lower oil prices, and the adherence to and continuity of OPEC+ production cuts, among others.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. Enservco maintains its excess cash in various financial institutions, where deposits may exceed federally insured amounts at times.

Accounts Receivable

Accounts receivable are stated at the amounts billed to customers, net of an allowance for uncollectible accounts. The Company provides an allowance for uncollectible accounts based on a review of outstanding receivables, historical collection information and existing economic conditions. The allowance for uncollectible amounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses. The allowance is management's best estimate of uncollectible amounts and is determined based on historical collection experience related to accounts receivable coupled with a review of the current status of existing receivables. The losses ultimately incurred could differ materially in the near term from the amounts estimated in determining the allowance. As of December 31, 2020 and 2019, the Company had an allowance for doubtful accounts of approximately $322,000 and $246,000, respectively. For the years ended December 31, 2020 and 2019, the Company recorded approximately $140,000 and $160,000, respectively, to bad debt expense.

Concentrations

As of December 31, 2020, one customer represented more than 10% of the Company's accounts receivable balance at 26%. Revenues from one customer represented approximately 14% of total revenues for the year ended December 31, 2020. As of December 31, 2019, two customers represented more than 10% of the Company's accounts receivable balance at 16% and 11% respectively. Revenues from one customer represented approximately 11% of total revenues for the year ended December 31, 2019.

Inventories

Inventory consists primarily of propane, diesel fuel and chemicals that are used in the servicing of oil wells and is carried at the lower of cost or net realizable value in accordance with the first in, first out method (FIFO). The Company periodically reviews the value of items in inventory and provides write-downs or write-offs, of inventory based on its assessment of market conditions. Write-downs and write-offs are charged to cost of goods sold. During the years ended December 31, 2020 and 2019, the Company recognized write-offs of approximately $18,000 and $0, respectively.

Property and Equipment

Property and equipment consist of (1) trucks, trailers and pickups; (2) water transfer pumps, pipe, lay flat hose, trailers, and other support equipment; (3) real property which includes land and buildings used for office and shop facilities and wells used for the disposal of water; and (4) other equipment such as tools used for maintaining and repairing vehicles, and office furniture and fixtures, and computer equipment. Property and equipment is stated at cost less accumulated depreciation. The Company capitalizes interest on certain qualifying assets that are undergoing activities to prepare them for their intended use. Interest costs incurred during the fabrication period are capitalized and amortized over the life of the assets. The Company charges repairs and maintenance against income when incurred and capitalizes renewals and betterments, which extend the remaining useful life, expand the capacity or efficiency of the assets. Depreciation is recorded on a straight-line basis over estimated useful lives of 5 to 30 years.

Any difference between net book value of the property and equipment and the proceeds of an assets' sale or settlement of an insurance claim is recorded as a gain or loss in the Company's earnings.

Leases

The Company assesses whether an arrangement is a lease at inception. Leases with an initial term of 12 months or less are not recorded on the balance sheet. We have elected the practical expedient to not separate lease and non-lease components for all assets. Operating lease assets and operating lease liabilities are calculated based on the present value of the future minimum lease payments over the lease term at the lease start date. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the lease start date in determining the present value of future payments. The operating lease asset is increased by any lease payments made at or before the lease start date and reduced by lease incentives and initial direct costs incurred. The lease term includes options to renew or terminate the lease when it is reasonably certain that we will exercise that option. The exercise of lease renewal options is at our sole discretion. The depreciable life of lease assets and leasehold improvements are limited by the lease term. Lease expense for operating leases is recognized on a straight-line basis over the lease term.

The Company conducts a major part of its operations from leased facilities. Each of these leases is accounted for as an operating lease. Operating lease assets and liabilities are recognized at the lease commencement date. Operating lease liabilities represent the present value of lease payments not yet paid. Operating lease assets represent our right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepayments or accrued lease payments, initial direct costs, lease incentives, and impairment of operating lease assets.

The Company amortizes leasehold improvements over the shorter of the life of the lease or the life of the improvements.

The Company has leased trucks and equipment in the normal course of business, which may be recorded as operating or finance leases, depending on the term of the lease. The Company recorded rental expense on equipment under operating leases over the lease term as it becomes payable; there were no rent escalation terms associated with these equipment leases. The Company records amortization expense on equipment under finance leases on a straight-line basis as well as interest expense based on our implicit borrowing rate at the date of the lease inception. The equipment leases contain purchase options that allow the Company to purchase the leased equipment at the end of the lease term, based on the market price of the equipment at the time of the lease termination.

Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Company reviews both qualitative and quantitative aspects of the business during the analysis of impairment. During the first quarter of 2020, the combination of the COVID-19 pandemic and actions taken by the OPEC+ countries caused oil and gas commodity demand to decrease significantly. During the fourth quarter of 2020, the continuing impacts of the COVID-19 pandemic and depressed oil and gas commodity price and demand, and the resulting decrease in active North American oil rig count led to a 70% decrease in revenues during the fourth quarter of 2020 compared to the same period in 2019. The Company determined that these were triggering events which could indicate impairment of its long-lived assets in each of the first and fourth quarters of 2020. The Company reviewed both qualitative and quantitative aspects of the business during the analysis of impairment. During the quantitative review, the Company reviewed its undiscounted future cash flows in its assessment of whether long-lived assets were impaired. The Company determined that there was no impairment of its long-lived assets held and used during the twelve months ended December 31, 2020. For a description of impairment recorded in the fourth quarter of 2020 on Assets Held for Sale, see below. During the year ended December 31, 2019, the Company recorded impairment charges of approximately $127,000 related to its salt water disposal wells. The Company divested the last saltwater disposal well during the second quarter of 2020.

Assets Held for Sale

The Company classifies long-lived assets to be sold 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 asset or disposal group; (2) the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets; (3) an active program to locate a buyer and other actions required to complete the plan to sell the asset or disposal group have been initiated; (4) the sale of the asset or disposal group is probable, and transfer of the asset or disposal group is expected to qualify for recognition as a completed sale within one year, except if events or circumstances beyond our control extend the period of time required to sell the asset or disposal group beyond one year; (5) the asset 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.

We initially measure a long-lived asset or disposal group that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held-for-sale criteria are met. Conversely, gains are not recognized on the sale of a long-lived asset or disposal group until the date of sale. We assess the fair value of a long-lived asset or disposal group less any costs to sell each reporting period it remains classified as held for sale and report any subsequent changes as an adjustment to the carrying value of the asset or disposal group, as long as the new carrying value does not exceed the carrying value of the asset at the time it was initially classified as held for sale. During the years ended December 31, 2020 and 2019, the Company recorded impairment charges of approximately $733,000 and $0, respectively.

Upon determining that a long-lived asset or disposal group meets the criteria to be classified as held for sale, the Company ceases depreciation and reports long-lived assets and/or the assets and liabilities of the disposal group, if material, in the line items assets held for sale in our consolidated balance sheets. Refer to Note 2.

Goodwill and Other Intangible Assets

Goodwill represents the excess purchase price over the fair value of identifiable assets received attributable to business acquisitions and combinations. Goodwill and other intangible assets are measured for impairment at least annually and/or whenever events and circumstances arise that indicate impairment may exist, such as a significant adverse change in the business climate. In assessing the value of goodwill, assets and liabilities are assigned to the reporting units and the appropriate valuation methodologies are used to determine fair value at the reporting unit level. Identified intangible assets are amortized using the straight-line method over their estimated useful lives.

The Company completed its annual goodwill impairment test as of December 31, 2020. The Company tests for impairment by comparing the fair value of our reporting units, which for the Company is our reporting segments, to the carrying value of the reporting units. If the carrying value of any reporting unit exceeds the fair value calculated, an impairment charge is recorded for the difference in fair value and carrying value, up to the amount of goodwill allocated to the reporting unit(s). Our fair value is estimated using a combination of the income and market approaches.

As a result of performing the annual test of impairment, the Company recognized no impairment of its goodwill during the year ended December 31, 2020.

Revenue Recognition

The Company evaluates revenue when we can identify the contract with the customer, the performance obligations in the contract, the transaction price, and we are certain that the performance obligations have been met. Revenue is recognized when the service has been provided to the customer. The vast majority of the Company's services and product offerings are short-term in nature. The time between invoicing and when payment is due under these arrangements is generally 30 to 60 days. Revenue is not generated from contractual arrangements that include multiple performance obligations.

The Company's agreements with its customers are often referred to as "price sheets" and sometimes provide pricing for multiple services. However, these agreements generally do not authorize the performance of specific services or provide for guaranteed throughput amounts. As customers are free to choose which services, if any, to use based on the Company's price sheet, the Company prices its separate services on the basis of their standalone selling prices. Customer agreements generally do not provide for performance, cancellation, termination, or refund type provisions. Services based on price sheets with customers are generally performed under separately issued "work orders" or "field tickets" as services are requested.

Revenue is recognized for certain projects that take more than one day projects over time based on the number of days during the reporting period and the agreed upon price as work progresses on each project.

Disaggregation of Revenue

See Note 13 - Segment Reporting for disaggregation of revenue.

Earnings (Loss) Per Share

Earnings per Common Share - Basic is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Earnings per Common Share - Diluted earnings is calculated by dividing net income (loss) by the diluted weighted average number of common shares. The diluted weighted average number of common shares is computed using the treasury stock method for common stock that may be issued for outstanding stock options, restricted stock and warrants.

As of December 31, 2020 and 2019, there were outstanding stock options, warrants and unvested restricted stock awards to acquire an aggregate of 1,079,628 and 307,111 shares of Company common stock, respectively, which have a potentially dilutive impact on earnings per share. As of December 31, 2020 and 2019, these outstanding stock options, unvested restricted stock awards and warrants had no aggregate intrinsic value (the difference between the estimated fair value of the Company's common stock on December 31, 2020 and 2019, and the exercise price, multiplied by the number of in-the-money instruments). Dilution is not permitted if there are net losses during the period. As such, the Company does not show diluted earnings per share for the years ended December 31, 2020 and 2019.

Offering Costs

The Company complies with the requirements of ASC 340-10-S99-1 and SEC Staff Accounting Bulletin (SAB) Topic 5A - "Expenses of Offering". Offering costs consist principally of commissions and fees associated with the sale of the offered securities, as well as professional and other fees associated with the negotiation and filing of the Public Offering, that were incurred through the balance sheet date and were charged to stockholders' equity upon the completion and continuing sale of the Public Offering. As the securities are being offered into the market over-time by AGP, the Company will continue to incur commissions and fees associated with the sales until all of the securities in the Public Offering are sold into the market. At December 31, 2020 and December 31, 2019, offering costs totaling approximately $296,000 and $0, respectively, have been charged to stockholders' equity (deficit).

Derivative Instruments

From time to time, the Company has interest rate swap agreements in place to hedge against changes in interest rates. The fair value of the Company's derivative instruments are reflected as assets or liabilities on the balance sheet. The accounting for changes in the fair value of a derivative instrument depends on the intended use of the derivative instrument and the resulting designation. Transactions related to the Company's derivative instruments accounted for as hedges are classified in the same category as the item hedged in the consolidated statement of cash flows. The Company did not hold derivative instruments at December 31, 2020 or 2019, for trading purposes.

On February 23, 2018, we entered into an interest rate swap agreement with East West Bank in order to hedge against the variability in cash flows from future interest payments related to the 2017 Credit Agreement. The terms of the interest rate swap agreement included an initial notional amount of $10.0 million, a fixed payment rate of 2.52% paid by us and a floating payment rate equal to LIBOR paid by East West Bank. The purpose of the swap agreement is to adjust the interest rate profile of our debt obligations. The fair value of the interest rate swap agreement is recorded in Other Liabilities and changes to the fair value are recorded to Other Expense. The swap agreement matured during the second quarter of 2020, the balance was adjusted to $0 and a $23,000 gain was recorded to other income (expense).

Income Taxes

The Company recognizes deferred tax liabilities and assets (Note 9) based on the differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements that will result in taxable or deductible amounts in future years. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities will be recognized in income in the period that includes the enactment date. A deferred tax asset or liability that is not related to an asset or liability for financial reporting is classified according to the expected reversal date. The Company records a valuation allowance to reduce deferred tax assets to an amount that it believes is more likely than not expected to be realized.

The Company accounts for any uncertainty in income taxes by recognizing the tax benefit from an uncertain tax position only if, in the Company's opinion, it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company measures the tax benefits recognized in the financial statements from such a position based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, the Company is required to make many subjective assumptions and judgments regarding income tax exposures. Interpretations of and guidance surrounding income tax law and regulations change over time and may result in changes to the Company’s subjective assumptions and judgments which can materially affect amounts recognized in the consolidated balance sheets and consolidated statements of income. The result of the reassessment of the Company’s tax positions did not have an impact on the consolidated financial statements.

Interest and penalties associated with tax positions are recorded in the peri od assessed as Other expense. The Company files income tax returns in the United States and in the states in which it conducts its business operations. The Company’s United States federal income tax filings for tax years 2017 through 2020 remain open to examination. In general, the Company’s various state tax filings remain open for tax years 2016 to 2020.

Fair Value

The Company follows authoritative guidance that applies to all financial assets and liabilities required to be measured and reported on a fair value basis. The Company also applies the guidance to non-financial assets and liabilities measured at fair value on a nonrecurring basis, including non-competition agreements and goodwill. The guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company’s assumptions of what market participants would use in pricing the asset or liability based on the best information available in the circumstances. Beginning in 2017, the Company valued its warrants using the Binomial Lattice model ("Lattice"). The Company did not have any transfers between hierarchy levels during the years ended December 31, 2020 or 2019. The financial and nonfinancial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement.

The hierarchy is broken down into three levels based on the reliability of the inputs as follows:

Level 1: Quoted prices are available in active markets for identical assets or liabilities;

Level 2: Quoted prices in active markets for similar assets and liabilities that are observable for the asset or liability; or

Level 3: Unobservable pricing inputs that are generally less observable from objective sources, such as discounted cash flow models or valuations.

Stock-Based Compensation

Stock-based compensation cost is measured at the date of grant, based on the calculated fair value of the award as described below, and is recognized over the requisite service period, which is generally the vesting period of the equity grant.

The Company uses the Black-Scholes pricing model as a method for determining the estimated grant date fair value for all stock options awarded to employees, independent contractors, officers, and directors. The expected term of the options is based upon evaluation of historical and expected exercise behavior. The risk-free interest rate is based upon U.S. Treasury rates at the date of grant with maturity dates approximately equal to the expected life of the grant. Volatility is determined upon historical volatility of our stock and adjusted if future volatility is expected to vary from historical experience. The dividend yield is assumed to be none as we have not paid dividends nor do we anticipate paying any dividends in the foreseeable future.

The Company uses a Lattice model to determine the fair value of certain warrants. The expected term used was the remaining contractual term. Expected volatility is based upon historical volatility over a term consistent with the remaining term. The risk-free interest rate is derived from the yield on zero-coupon U.S. government securities with a remaining term equal to the contractual term of the warrants. The dividend yield is assumed to be zero.

The Company used the market-value of Company stock to determine the fair value of the performance-based restricted stock awarded in 2019 and 2018. The fair-value is updated quarterly based on actual forfeitures.

The Company used a Lattice model to determine the fair value of market-based restricted stock awarded in 2019 and 2018.

Management Estimates

The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the realization of accounts receivable, evaluation of impairment of long-lived assets, stock-based compensation expense, income tax provision, the valuation of warrant liability and the Company's interest rate swaps, and the valuation of deferred taxes. Actual results could differ from those estimates.

Reclassifications

Certain prior-period amounts have been reclassified for comparative purposes to conform to the current presentation. These reclassifications have no effect on the Company's consolidated statement of operations.

Business Combinations

We recognize and measure the assets acquired and liabilities assumed in a business combination based on their estimated fair values at the acquisition date, with any remaining difference recorded as goodwill or gain from a bargain purchase. For material acquisitions, management typically engages an independent valuation specialist to assist with the determination of fair value of the assets acquired, liabilities assumed, noncontrolling interest, if any, and goodwill, based on recognized business valuation methodologies. If the initial accounting for the business combination is incomplete by the end of the reporting period in which the acquisition occurs, an estimate will be recorded. Subsequent to the acquisition, and not later than one year from the acquisition date, we will record any material adjustments to the initial estimate based on new information obtained about facts and circumstances that existed as of the acquisition date. An income, market or cost valuation method may be utilized to estimate the fair value of the assets acquired, liabilities assumed, and noncontrolling interest, if any, in a business combination. The income valuation method represents the present value of future cash flows over the life of the asset using: (i) discrete financial forecasts, which rely on management's estimates of volumes, commodity prices, revenue and operating expenses; (ii) long-term growth rates; and (iii) appropriate discount rates. The market valuation method uses prices paid for a reasonably similar asset by other purchasers in the market, with adjustments relating to any differences between the assets. The cost valuation method is based on the replacement cost of a comparable asset at prices at the time of the acquisition reduced for depreciation of the asset. See Note 4 – Business Combinations for additional information regarding our business combinations.

Accounting Pronouncements

Recently Adopted

In February 2016, the FASB issued ASU 2016-02, Leases, which introduces the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance. The update is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those reporting periods, with early adoption permitted. The original guidance required application on a modified retrospective basis with the earliest period presented. In August 2018, the FASB issued ASU 2018-11, Targeted Improvements to ASC 842, Leases, which includes an option to not restate comparative periods in transition and elect to use the effective date of ASC 842, Leases, as the date of initial application of transition. Based on the effective date, the Company adopted this ASU beginning on January 1, 2019 and elected the transition option provided under ASU 2018-11. This standard had a material effect on our consolidated balance sheet with the recognition of new right of use assets and lease liabilities for all operating leases, as these leases typically have a non-cancelable lease term of greater than one year. Upon adoption, both assets and liabilities on our consolidated balance sheets increased by approximately $2.4 million. The Company elected a package of transition practical expedients which include not reassessing whether any expired or existing contracts are or contain leases, not reassessing the lease classification of expired or existing leases, and not reassessing initial direct costs for existing leases. The Company also elected a practical expedient to not separate lease and non-lease components. The Company did not elect the practical expedient to use hindsight in determining the lease terms or assessing impairment of the Right-of-Use (‘ROU”) assets. See Note 12 - Commitments and Contingencies for more information.

In January 2017, the FASB issued ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment* (ASU 2017-04) *.* The standard simplifies the subsequent measurement of goodwill by removing the requirement to perform a hypothetical purchase price allocation to compute the implied fair value of goodwill to measure impairment. Instead, goodwill impairment is measured as the difference between the fair value of the reporting unit and the carrying value of the reporting unit. The standard also clarifies the treatment of the income tax effect of tax-deductible goodwill when measuring goodwill impairment loss. This standard is effective for annual or any interim goodwill impairment test in fiscal years beginning after December 15, 2019. The Company adopted ASU 2017-04 on January 1, 2020, and performed its annual goodwill impairment test pursuant to the requirements of ASU 2017-04.

Recently Issued

In June 2016, the FASB issued ASU 2016-13, *Financial Statements - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires companies to measure credit losses utilizing a methodology that reflects expected credit losses and requires a consideration of a broader range of reasonable and supportable information to ascertain credit loss estimates. The standard is effective for fiscal years beginning after December 15, 2022. The Company does not expect the adoption of ASU 2016-13 to have a material impact on its consolidated financial statements.

Note 3 - Property and Equipment

Property and equipment consist of the following at (amounts in thousands):

	December 31, 2020	December 31, 2019
Trucks and vehicles	$ 57,224	$ 59,788
Other equipment	1,319	1,303
Buildings and improvements	3,176	3,184
Land	378	378
Total property and equipment	62,097	64,653
Accumulated depreciation	(41,780)	(38,033)
Property and equipment, net	$ 20,317	$ 26,620

For the years ended December 31, 2020 and 2019, the Company recorded approximately $4.9 million and $5.3 million, respectively, in depreciation expense.

Note 4 – Business Combinations

Acquisition of Adler Hot Oil Service, LLC

On October 26, 2018, Enservco Corporation entered into a Membership Interest Purchase Agreement (the “Agreement”) with Adler Hot Oil Holdings, LLC, a Delaware limited liability company (the “Seller”), pursuant to which Enservco acquired all of the outstanding membership interests of Adler Hot Oil Service, LLC, a Delaware limited liability company (“Adler”) for a gross aggregate purchase price of $12.5 million, plus approximately $500,000 in working capital adjustments (the “Transaction”). The purchase price allocation differs from the gross aggregate purchase price due to fair value adjustments to the indemnity holdback, earnout, plus the discount on the subordinated note. Certain former members of Adler are also parties to the Agreement. Adler is a provider of frac water heating and hot oiling services, whose assets consist primarily of vehicles and equipment, with a complementary base of customers in several oil and gas producing basins where Enservco operates.

The consideration paid or to be paid by Enservco under the Agreement originally included: (i) $3.7 million in cash paid to or for the benefit of the Seller at the closing; (ii) a subordinated promissory note issued to the Seller in the principal amount of $4.8 million, plus interest accrued thereon (the “Seller Subordinated Note”), as further discussed below; (iii) retirement by Enservco of $2.5 million in indebtedness of Adler; (iv) an earn-out payment of up to $1.0 million in cash payable to the Seller (the "Earn-Out Payment"), the actual amount of which is subject to Enservco’s satisfaction of certain EBITDA-related performance conditions during 2019; and (v) $1.0 million in cash held by Enservco and payable to the Seller on the 18 month anniversary of October 26, 2018, subject to offset by Enservco for any indemnification obligations owed by the Seller or certain former members of Adler under the Agreement (the "Indemnity Holdback Payment"). Certain aspects of the consideration have been modified since execution of the Agreement as further discussed below.

On April 4, 2019 Enservco and the Seller entered into a Settlement Agreement and Mutual Release (the “Settlement Agreement”) in order to resolve certain disputes and disagreements relating to the Transaction without litigation. Pursuant to the Settlement Agreement the parties agreed to (i) waive all rights of the Seller to the Earn-Out Payment and the Indemnity Holdback Payment, (ii) reduce the original principal balance of the Seller Subordinated Note from $4,800,000 to $4,500,000, (iii) extend the maturity date of the Seller Subordinated Note from March 31, 2019 to April 10, 2019, subject to a nine day grace period, and (iv) mutually release one another from any and all demands, claims and causes of action, existing, or arising out of or related to (A) the sale and purchase of Adler, (B) the Purchase Agreement or the Ancillary Documents referred to therein, (C) Adler, (D) loans by the Seller to Adler, or (E) the transactions or activities connected with any of the foregoing or any prior dealings of any of the Seller, on the one hand, and Enservco on the other hand, in each case subject to exceptions for claims arising from breaches of the Settlement Agreement and enumerated provisions of the Purchase Agreement. All adjustments to the original purchase accounting are recognized in the second quarter of 2019, when the settlement occurred. We also considered whether the execution of the Settlement Agreement was an indicator of impairment regarding the recorded balance of goodwill and the definite-lived intangible assets. With regard to goodwill, we determined that it was not more likely than not that the carrying amount of the reporting unit was greater than its fair value, and thus determined that further evaluation of goodwill for potential impairment was not necessary. We will perform a goodwill impairment analysis over the recorded balance on an annual basis, or if we determine an indicator of impairment exists. With regards to the definite-lived intangible assets, we determined that there were no events or changes in circumstances that would indicate that its carrying amount may not be recoverable, and therefore determined that a test for recoverability was not required.

The acquisition of Adler qualified as a business combination and as such, we estimated the fair value of the assets acquired and liabilities assumed as of the closing date. Additionally, we estimated the fair value of contingent consideration given. The fair value measure of the assets acquired and liabilities assumed applied various valuation methods to estimate the value of the intangibles that would provide a fair and reasonable value to a market participant, in view of the facts available at the time. Each valuation method was analyzed to determine which method would generate the most reasonable estimate of value of the Company’s intangible assets as of October 26, 2018. Both internal and external factors influencing the value of the intangibles were considered such as Adler’s financial position, results of operations, historical financial data, future financial expectations, economic conditions, status of the oil and gas industry and Adler’s position in the industry.

In connection with the execution of the Settlement Agreement, we reviewed our estimates and allocation of the fair value of assets acquired, consideration transferred, and contingent consideration given in connection with the Transaction. In our judgment, the reduction in the fair value of the consideration did not have a clear and direct link to the purchase price, and therefore the change in the fair value of the Indemnity Holdback Payment of approximately $908,000, the change in the fair value of the Earn-Out Payment, of approximately $44,000, and the $300,000 reduction in the amount of the Seller Subordinated Note, were each recorded as gains within other income (expense) in the accompanying Statements of Operations for the year ended December 31,2019.

The goodwill of approximately $245,000 arising from the acquisition consists largely of the synergies expected be achieved from combining the operations of Enservco and Adler. None of the goodwill is expected to be deductible for income tax purposes.

The following tables represent the consideration paid to the Seller and the estimated fair value of the assets acquired and liabilities assumed.

Consideration paid to Seller:		
Cash consideration, including payment to retire Adler debt	$	6,206
Subordinated note, net of discount		4,580
Indemnity holdback at fair value		873
Earnout at fair value		44
Net purchase price	$	11,703

Recognized amounts of identifiable assets acquired and liabilities assumed:		
Cash	$	43
Accounts receivable, net		1,317
Prepaid expenses and other current assets		239
Property, plant, and equipment		9,664
Intangible assets		1,045
Accounts payable and accrued liabilities		(850)
Total identifiable net assets		11,458
Goodwill		245
Total identifiable assets acquired	$	11,703

Subordinated Note

In connection with the Transaction and pursuant to the terms of the Agreement, on October 26, 2018, Enservco issued to the Seller the Seller Subordinated Note in the original principal amount of $4.8 million in connection with the Settlement Agreement, which was reduced to $4.5 million as discussed above, and unpaid amounts thereunder beared simple interest at a rate of 8% per annum. Enservco was required to and made principal payments on November 30, 2018 of $800,000, on February 28, 2019 of $200,000, and on April 9, 2019, subject to a 10-day grace period, of all remaining outstanding principal and interest. The Seller Subordinated Note was guaranteed by Enservco's subsidiaries and secured by a junior security interest in substantially all assets of Enservco and its subsidiaries. The Seller Subordinated Note is subject to a subordination agreement by and among Enservco, the Seller, and East West Bank. On April 19, 2019, Enservco made the final payment to settle the principal balance and accrued interest on the Seller Subordinated Note and has no further obligations to the Seller.

Second Amendment to Loan and Security Agreement and Consent

In connection with the Transaction, on October 26, 2018, Enservco and East West Bank entered into a Second Amendment to Loan and Security Agreement and Consent (the "Second Amendment to LSA"), which amended the Loan and Security Agreement dated August 10, 2017 by and between Enservco and East West Bank (the "Loan Agreement"). Pursuant to the Second Amendment to LSA, East West Bank consented to the Transaction and increased the maximum borrowing limit of the senior secured revolving credit facility provided to Enservco under the Loan Agreement to $37.0 million. Proceeds of $6.2 million from the increased senior secured revolving credit facility were used in the Transaction to make the cash payments at closing and retire the indebtedness of Adler. In connection with the Second Amendment to LSA the capital expenditure limitation contained within the Loan Agreement was increased to $3.0 million from $2.5 million.

On October 26, 2018, in connection with the Second Amendment to LSA, Adler entered into a Joinder Agreement, pursuant to which Adler was joined as a party to the Loan Agreement.

Note 5 – Intangible Assets

The components of our intangible assets as of December 31, 2020 and 2019 are as follows (in thousands):

	December 31, 2020	December 31, 2019
Customer relationships	$ 626	$ 626
Patents and trademarks	441	441
Total intangible assets	1,067	1,067
Accumulated amortization	(450)	(239)
Net carrying value	$ 617	$ 828

The useful lives of our intangible assets are estimated to be five years. The amortization expense was approximately $211,000 in 2020 and $205,000 in 2019.

The following table represents the amortization expense for the next five years (in thousands):

	2021	2022	2023	2024	2025
Customer relationships	$ 125	$ 125	$ 104	$ -	$ -
Intellectual property	93	93	77	-	-
Total intangible asset amortization expense	$ 218	$ 218	$ 181	$ -	$ -

Note 6 – Discontinued Operations

Heat Waves Water Management

During December, 2019, the Heat Waves Water Management business ceased operations for customers. The decision to discontinue HWWM was made due to its history of net losses, declining revenues, and its failure to generate positive operating cash flow. The Company sold several HWWM assets during 2020. HWWM was previously reported in the Water Transfer Services segment, however, the Company redefined its segments for the year ended December 31, 2019, and Water Management Services is no longer a reporting segment.

Dillco

Effective November 1, 2018, the Dillco water hauling business ceased operations for customers. In December 2018, we held an auction for all of the Dillco fixed assets which resulted in a gain of approximately $129,000. Additionally, we recorded an impairment charge of $130,000 related to land and building sold subsequent to December 31, 2018.

The following table represents a reconciliation of the carrying amounts of major classes of assets and liabilities disclosed as discontinued operations in the Balance Sheets:

	December 31, 2020	December 31, 2019
Carrying amount of major classes of assets included as part of discontinued operations:		
Accounts receivable, net	$ -	$ 175
Property and equipment, net	321	1,373
Prepaid expenses and other current assets	-	12
Other assets	32	57
Total major classes of assets of discontinued operations	$ 353	$ 1,617
Carrying amounts of major classes of liabilities included as part of discontinued operations:		
Accounts payable and accrued liabilities	6	47
Other liabilities	34	59
Total liabilities included as part of discontinued operations	$ 40	$ 106

The following table represents a reconciliation of the major classes of line items constituting pretax loss of discontinued operations that are disclosed as discontinued operations in the Statements of Operations:

	December 31, 2020	December 31, 2019
Revenue	$ -	$ 3,303
Cost of sales	(11)	(4,446)
Sales, general, and administrative expenses	-	(23)
Depreciation and amortization	(26)	(1,177)
Other income and expense items that are not major	(70)	11
Total loss on discontinued operations that is presented in the Statements of Operations	$ (107)	$ (2,332)

Note 7 – Debt

East West Bank Revolving Credit Facility

The 2017 Credit Agreement (as defined in Note 2 of the accompanying Notes to the Condensed Consolidated Financial Statements) originally allowed us to borrow up to 85% of our eligible receivables and up to 85% of the appraised value of our eligible equipment. The Fifth Amendment restructured the loan and provided for a loan forgiveness of $16.0 million and converts the remaining principal balance to a $17.0 million equipment term loan and a revolver to provide the Company with a maximum $1.0 million line of credit. The Sixth Amendment further extended the maturity date and modified the financial covenants effective January 1, 2021. There are no required principal payments until maturity on October 15, 2022, and interest is fixed at 8.25%. Interest on the first 5.25% is calculated monthly and paid in arrears, while the remaining 3.00% is accrued to the loan balance and due with all remaining outstanding principal on the maturity date. Additionally, the Credit Facility is subject to an unused credit line fee of 0.5% per annum multiplied by the amount by which total availability exceeds the average monthly balance of the Credit Facility, payable monthly in arrears. The Credit Facility is collateralized by substantially all our assets and subject to financial covenants.

As of December 31, 2020, we had an outstanding principal loan balance under the Credit Facility of approximately $17.7 million with a weighted average interest rates of 8.25% per year. As of December 31, 2020, our availability under the amended 2017 Credit Agreement was approximately $0.3 million. The Credit Facility balance of $19.1 million at December 31, 2020 includes $1.4 million of future interest payable due over the remaining term of the Credit Facility in accordance with ASC 470-60, Troubled Debt Restructuring by Debtors.

Under the amended 2017 Credit Agreement, we are subject to the following financial covenants:

(1) On December 31, 2020, we were required to maintain liquidity of not less than $1.5 million; and

(2) For each trailing three-month period, commencing with the three-month period ending March 31, 2021, we are required to achieve gross revenue of at least seventy percent (70%) of our projected gross revenue; and

(3) We are limited to a capital expenditures cap of $1.2 million for any fiscal year that the loan remains outstanding.

In connection with amending the 2017 Credit Agreement on September 23, 2020, the Company issued to East West Bank 533,334 shares of Company common stock, and a five-year warrant to purchase up to 1,000,000 additional shares of Company common stock at an exercise price of $3.75 per share. The 533,334 shares of Company common stock were valued at a price of $2.0775 per share, or a total value of $1.1 million. The 533,334 common shares issued to East West Bank cannot be sold or transferred prior to March 23, 2021. The warrant for 1,000,000 shares is exercisable beginning September 23, 2021 until September 23, 2025. The fair value of the warrant was determined to be $1.4 million and were recorded in additional paid-in capital. The Company recorded a total gain on the debt restructuring of $11.9 million for the year ended December 31, 2020, which was calculated by subtracting from the $16.0 million loan forgiveness, a) the future interest payable on the Credit Facility; b) the value of the Company common stock issued; and c) the fair value of the warrant. The per share effect of the gain on both basic and diluted earnings per common share was $2.85 for the year ended December 31, 2020.

Debt Issuance Costs

We have capitalized certain debt issuance costs incurred in connection with the Credit Facility discussed above and these costs are being amortized to interest expense over the term of the facility on a straight-line basis. The long-term portion of debt issuance costs of approximately $0 and $82,000 is included in Other Assets in the accompanying condensed consolidated balance sheets for December 31, 2020 and 2019, respectively. During the years ended December 31, 2020 and 2019, the Company amortized approximately $82,000 and $140,000, respectively, of these costs to Interest Expense.

Paycheck Protection Program

On April 10, 2020, the Company, entered into a promissory note (the “Note”) with East West Bank in the aggregate amount of $1,939,900, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was enacted March 27, 2020 and is administered by the United States Small Business Administration ("SBA").

The Note matures on April 10, 2022 and bears interest at a rate of 1.00% per annum, payable in full plus all accrued interest on April 10, 2022. The Note is carried at its full value in long-term debt, net of current portion. The Note may be prepaid by the Company at any time prior to maturity with no prepayment penalties. Funds received under the Note may only be used for the Company’s payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Company intends to use the entire Note proceeds for qualifying expenses. Under the terms of the PPP, amounts of the Note may be forgiven if they are used for qualifying expenses as described in the CARES Act. Any amount forgiven will be recorded in other income (expense).

On November 9, 2020, the Company submitted the initial loan forgiveness application to East West Bank for review and approval. East West Bank has since approved our application, recommended forgiveness of the entire amount of the Note and sent the application to the SBA for final approval. As of the date of the filing of this 10-K, the SBA has not concluded on our application of loan forgiveness.

Notes Payable

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

	December 31, 2020	December 31, 2019
Senior Revolving Credit Facility with related party. All future interest through October 15, 2021 accrued to loan pursuant to the Fifth Amendment. Interest at 8.25%, 5.25% is paid monthly while 3% is accrued and paid upon maturity. Matures October 15, 2022. See Note 2 - Summary of Significant Accounting Policies and Recent Developments for discussion of principal payment subsequent to December 31, 2020.	$ 19,078	$ 33,994
Paycheck Protection Loan. Interest is at 1% with payments deferred until October 10, 2020. Matures April 10, 2022.	1,940	-
Subordinated Promissory Notes with related party, Interest at 10% and is paid quarterly. Matures June 28, 2022. See Note 2 - Summary of Significant Accounting Policies and Recent Developments for discussion of conversion of outstanding debt balance subsequent to December 31, 2020.	1,250	2,500
Real Estate Loan for a facility in North Dakota, interest at 5.75% and monthly principal and interest payment of $5,255 until October 3, 2028. Collateralized by land and property purchased with the loan.	167	218
Vehicle loans for three pickups, interest at 8.59%, monthly principal and interest payments of $3,966. Matures in August 2021.	31	74
Note payable to the seller of Heat Waves. The note was garnished by the Internal Revenue Service (" IRS") in 2009 and is due on demand; paid in annual installments of $36,000 per agreement with the IRS.	14	53
Total	22,480	36,839
Less debt discount	(70)	(119)
Less current portion	(1,693)	(36,522)
Long-term debt, net of debt discount and current portion	$ 20,717	$ 198

Aggregate maturities of debt are as follows (in thousands):

Years Ended December 31,	
2021	$ 1,693
2022	20,733
2023	54
Total	$ 22,480

Note 8 - Fair Value Measurements

The following table presents the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis by level within the fair value hierarchy (in thousands):

	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Measurement
December 31, 2020				
Derivative Instrument				
Interest rate swap liability	$ -	$ -	$ -	$ -
December 31, 2019				
Derivative Instrument				
Interest rate swap liability	$ -	$ 23	$ -	$ 23

The following table represents a reconciliation of our Level 3 liability measured at fair value (in thousands):

	Year Ended December 31,	
	2020	2019
Fair value of Level 3 instrument at the beginning of the period	-	931
Less: Settlement of Adler liability	-	(931)
Fair value of Level 3 instrument at the end of period	$ -	$ -

Derivative Instruments

The fair value of the interest rate swap is estimated using a discounted cash flow model. Such models involve using market-based observable inputs, including interest rate curves. We incorporate credit valuation adjustments to appropriately reflect both our nonperformance risk and respective counterparty's nonperformance risk in the fair value measurements, which we have concluded are not material to the valuation. Due to the interest rate swaps being unique and not actively traded, the fair value is classified as Level 2.

The fair value of the Indemnity Holdback Payment liability was estimated based on the present value using a risk-adjusted interest rate of 9.5%. The fair value of the Earn-Out Payment liability was estimated using a financial projection with a risk-adjusted interest rate of 9.5%.

Certain assets and liabilities are measured at fair value on a nonrecurring basis. These assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances. As of December 31, 2020 and 2019, the carrying value of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and interest approximates fair value due to the short-term nature of such items. The carrying value of the Company's credit agreements are carried at cost which are approximately the fair value of the debt as the related interest rate are at the terms that approximate rates currently available to the Company.

The Company did not have any transfers of assets or liabilities between Level 1, Level 2 or Level 3 of the fair value measurement hierarchy during the years ended December 31, 2020 and 2019.

Note 9 – Income Taxes

The income tax provision (benefit) from operations consists of the following (in thousands):

	December 31, 2020	December 31, 2019
Current		
Federal	$ -	$ -
State	12	32
Total Current	12	32
Deferred		
Federal	-	-
State	-	-
Total Deferred	-	-
Total Income Tax Benefit	$ 12	$ 32

A reconciliation of computed income taxes by applying the statutory federal income tax rate of 21% to income (loss) from operations before taxes to the provision (benefit) for income taxes for the years ended December 31, 2020 and 2019 is as follows (in thousands):

	December 31, 2020	December 31, 2019
Computed income taxes at 21% for 2020 and 2019, respectively	$ (502)	$ (1,118)
(Decrease) increase in income taxes resulting from:		
State and local income taxes, net of federal impact	(72)	(154)
Change in valuation allowance	571	1,298
Stock-based compensation	1	14
Other	14	(8)
Benefit for income taxes	$ 12	$ 32

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management recorded a valuation allowance to reduce its net deferred tax assets to zero.

We have a requirement of reporting of taxes based on tax positions which meet a more likely than not standard and which are measured at the amount that is more likely than not to be realized. Differences between financial and tax reporting which do not meet this threshold are required to be recorded as unrecognized tax benefits. This standard also provides guidance on the presentation of tax matters and the recognition of potential IRS interest and penalties. As of December 31, 2020 and 2019, the Company does not have an unrecognized tax liability.

The Company has approximately $28.2 million of net operating losses that will begin to expire in the year 2036.

The components of deferred income taxes for the years ended December 31, 2020 and 2019 are as follows (in thousands):

	December 31,	
	2020	**2019**
Deferred tax assets		
Reserves and accruals	$ 183	$ 1,040
Amortization	53	(12)
Capital losses and other	13	11
Non-qualified stock option expense	194	182
Loss Carryforwards	7,066	6,897
Total deferred tax assets	7,509	8,118
Valuation allowance	(4,757)	(4,951)
Net deferred tax assets	2,752	3,167
Deferred tax liabilities		
Depreciation	(2,752)	(3,167)
Total deferred tax liabilities	(2,752)	(3,167)
Net deferred tax assets (liabilities)	$ -	$ -

The Company uses significant judgment in forming conclusions regarding the recoverability of its deferred tax assets and evaluates all available positive and negative evidence to determine if it is more-likely-than-not that the deferred tax assets will be realized. To the extent recovery does not appear likely, a valuation allowance must be recorded. The Company recorded a valuation allowance of $4.8 million and $4.9 million as of December 31, 2020 and 2019, respectively.

It is possible that the relative weight of positive and negative evidence regarding the realization of deferred tax assets may change, which could result in a material increase or decrease in the Company's valuation allowance. Such a change could result in a material increase or decrease to income tax expense in the period the assessment was made.

The Company classifies penalty and interest expense related to income tax liabilities as other ex pense. The Company did not incur any interest and penalties for the years ended December 31, 2020 and 2019, respectively.

The Company files tax re turns in various states in the United States, including but not limited to Colorado, Kansas, New Mexico, North Dakota, Oklahoma, Pennsylvania and Texas. The Company's United States federal income tax filings for tax years 2017 through 2020 remain open to examination. In general, the Company's various state tax filings remain open for tax years 2016 to 2020.

Note 10 – Stockholders' Equity

Warrants

In June 2016, the Company granted a principal of the Company's investor relations firm warrants to acquire 2,000 shares of the Company's common stock in connection with a reduction of the firm's ongoing monthly cash service fees. The warrants had a grant-date fair value of $5.40 per share and vested over a one-year period, 1,000 shares on December 21, 2016 and 1,000 shares on June 21, 2017. As of December 31, 2020, all of these warrants remain outstanding and are exercisable until June 21, 2021 at $10.50 per share.

On November 11, 2019, in connection with a subordinated loan agreement, the Company granted Cross River Partners, L.P. one five-year warrant to buy an aggregate total of 41,667 shares of the Company's common stock at an exercise price of $3.00 per share. The warrants had a grant-date fair value of $2.40, were fully vested upon issuance and remain outstanding and exercisable until November 11, 2024.

On September 23, 2020, in connection with the Fifth Amendment, the Company granted East West Bank one five-year warrant to buy an aggregate total of 1,000,000 shares of the Company's common stock at an exercise price of $3.75 per share. The warrants had a grant-date fair value of $1.42, were fully vested upon issuance and remain outstanding and are exercisable beginning one-year from the issuance date on September 23, 2021 and until September 23, 2025.

A summary of warrant activity for the years ended December 31, 2020 and 2019 is as follows (amounts in thousands):

Warrants	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Outstanding at January 1, 2019	2,000	$ 10.50	2.5
Issued	41,667	3.00	4.9
Outstanding at December 31, 2019	43,667	$ 3.34	4.7
Issued	1,000,000	3.75	4.7
Outstanding at December 31, 2020	1,043,667	$ 3.73	4.7
Exercisable at December 31, 2020	43,667	$ 3.34	3.7

Note 11 – Stock Options and Restricted Stock

Stock Options

On July 27, 2010, the Company's Board of Directors adopted the 2010 Stock Incentive Plan (the "2010 Plan"). The aggregate number of shares of common stock that could be granted under the 2010 Plan was reset at the beginning of each year based on 15% of the number of shares of common stock then outstanding. As such, on January 1, 2016 the number of shares of common stock available under the 2010 Plan was reset to 381,272 shares based upon 2,541,809 shares outstanding on that date. Options were typically granted with an exercise price equal to the estimated fair value of the Company's common stock at the date of grant with a vesting schedule of one to three years and a contractual term of 5 years. As discussed below, the 2010 Plan has been replaced by a new stock option plan and no additional stock option grants will be granted under the 2010 Plan. As of December 31, 2020, there were options to purchase 7,746 shares outstanding under the 2010 Plan.

On July 18, 2016, the Board of Directors unanimously approved the adoption of the Enservco Corporation 2016 Stock Incentive Plan (the "2016 Plan"), which was approved by the stockholders on September 29, 2016. The aggregate number of shares of common stock that may be granted under the 2016 Plan is 533,334 shares plus authorized and unissued shares from the 2010 Plan totaling 159,448 for a total reserve of 692,782 shares. As of December 31, 2020, there were options to purchase 3,823 shares and we had granted restricted stock shares of 24,393 that remained outstanding under the 2016 Plan.

During the year ended December 31, 2020, no options were granted or exercised. During the year ended December 31, 2019, no stock options were granted. During the year ended December 31, 2019, 82,000 options were exercised resulting in the issuance of 44,263 shares.

The following is a summary of stock option activity for all equity plans for the years ended December 31, 2020 and 2019:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2019	169,645	$ 12.75	2.54	$ 93
Forfeited or Expired	(39,956)	26.70	-	-
Outstanding at December 31, 2019	129,689	$ 8.45	1.95	$ -
Forfeited or Expired	(118,120)	8.54	-	-
Outstanding at December 31, 2020	11,569	$ 5.87	0.53	$ -
Vested at December 31, 2020	11,569	$ 5.87	0.53	$ -
Exercisable at December 31, 2020	11,569	$ 5.87	0.53	$ -

The aggregate intrinsic value in the table above represents the total intrinsic value (the difference between the estimated fair value of the Company's common stock and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had they exercised their options on December 31, 2020.

During the years ended December 31, 2020 and 2019, the Company recognized stock-based compensation costs for stock options of approximately $3,000 and $77,000, respectively, in sales, general and administrative expenses. The Company currently expects all outstanding options to vest. Compensation cost is revised if subsequent information indicates that the actual number of options vested due to service is likely to differ from previous estimates.

A summary of the status of non-vested shares underlying the options are presented below:

	Number of Shares	Weighted Average Grant-Date Fair Value
Non-vested at January 1, 2019	39,589	$ 3.00
Vested	(32,400)	2.85
Forfeited	(3,656)	3.30
Non-vested at December 31, 2019	3,533	$ 3.30
Vested	(1,755)	3.36
Forfeited	(1,778)	19.29
Non-vested at December 31, 2020	-	$ -

As of December 31, 2020, there was no remaining unrecognized compensation costs related to non-vested shares under the Company's stock option plans.

Restricted Stock

Restricted shares issued pursuant to restricted stock awards under the 2016 Stock Plan are restricted as to sale or disposition. These restrictions lapse periodically generally over a period of three years. Restrictions may also lapse for early retirement and other conditions in accordance with our established policies. Upon termination of employment, shares on which restrictions have not lapsed must be returned to us, resulting in restricted stock forfeitures. The fair market value on the date of the grant of the stock with a service condition is amortized and charged to expense on a straight-line basis over the requisite service period for the entire award. The fair market value on the date of the grant of the stock with a performance condition shall be accrued and recognized when it becomes probable that the performance condition will be achieved. Restricted shares that contain a market condition are amortized and charged over the life of the award.

A summary of the restricted stock activity is presented below:

	Number of Shares	Weighted Average Grant-Date Fair Value
Restricted shares at January 1, 2019	55,778	14.70
Granted	98,200	4.05
Vested	(2,888)	19.20
Forfeited	(17,334)	16.80
Restricted shares at December 31, 2019	133,756	8.25
Granted	10,001	2.49
Vested	(69,777)	6.56
Forfeited	(49,587)	8.05
Restricted shares at December 31, 2020	24,393	7.32

During the years ended December 31, 2020 and 2019, the Company recognized stock-based compensation costs for restricted stock of approximately $389,000 and $199,000 in sales, general, and administrative expenses, of which $301,000 was related to severance compensation in connection with a separation agreement with the Company's former CEO during the second quarter of 2020. In addition, of the 69,777 shares that vested during 2020, 59,667 shares were related to the former CEO's separation agreement, as were 6,667 of the 10,001 shares that were granted during 2020. Compensation cost is revised if subsequent information indicates that the actual number of restricted stock vested due to service is likely to differ from previous estimates.

The following table sets forth the weighted average outstanding of potentially dilutive instruments for the years ended December 31, 2020 and 2019:

	Year Ended December 31,	
	2020	2019
Stock options	93,747	143,094
Restricted stock	58,220	99,843
Warrants	314,158	7,594
Weighted average	466,125	250,531

Note 12 – Commitments and Contingencies

Operating Leases

On January 1, 2019, we adopted ASC 842, Leases. Results for reporting periods beginning January 1, 2019 are presented in accordance with ASC 842, while prior period amounts are reported in accordance with ASC 840. On January 1, 2019, we recognized $2.4 million in right-of-use assets and $2.4 million in lease liabilities, representing the present value of minimum payment obligations associated with leased facilities and certain equipment with non-cancellable lease terms in excess of one year. During the year ended December 31, 2019, we entered into several finance leases related to equipment. We recognized approximately $845,000 in right-of-use assets and lease liabilities. We made a cumulative-effect adjustment to retained earnings of approximately $98,000 at January 1, 2019.

Operating lease assets and liabilities are recognized at the lease commencement date. Operating lease liabilities represent the present value of lease payments not yet paid. Operating lease assets represent our right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepayments or accrued lease payments, initial direct costs, lease incentives, and impairment of operating lease assets. To determine the present value of lease payments not yet paid, the Company uses the weighted average interest rate on its Credit Facility. Long-term leases typically contain rent escalations over the lease term. The Company recognizes expense for these leases on a straight-line basis over the lease term.

The Company has elected the short-term lease recognition exemption for all applicable classes of underlying assets. Short-term disclosures include only those leases with a term greater than one month and 12 months or less, and expense is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less, that do not include an option to purchase the underlying asset that we are reasonably certain to exercise, are not recorded on the balance sheet.

The Company elected the expedient to account for lease and non-lease components as a single component for our entire population of operating lease assets.

As of December 31, 2020, the Company leases facilities and certain equipment under lease commitments that expire through June 2026. Future minimum lease commitments for these operating and finance lease commitments are as follows (in thousands):

Twelve Months Ending December 31,	Operating Leases	Finance Leases
2021	$ 964	$ 98
2022	774	41
2023	641	14
2024	473	10
2025	354	-
Thereafter	179	-
Total future lease commitments	3,385	163
Impact of discounting	(346)	(43)
Discounted value of lease obligations	$ 3,039	$ 120

The following table summarizes the components of our gross operating lease costs incurred during the years ended December 31, 2020 and 2019 (in thousands):

	Year Ended December 31, 2020	Year Ended December 31, 2019
Operating lease expense:		
Current lease cost	$ 55	$ 954
Long-term lease cost	1,107	411
Total operating lease cost	$ 1,162	$ 1,365
Finance lease expense:		
Amortization of right-of-use assets	$ 189	$ 219
Interest on lease liabilities	19	28
Total lease cost	$ 208	$ 247

Our weighted-average lease term and discount rate used during the years ended December 31, 2020 and 2019 are as follows:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Operating		
Weighted-average lease term (years)	4.08	4.60
Weighted-average discount rate	6.08%	6.08%
Finance		
Weighted-average lease term (years)	2.09	2.16
Weighted-average discount rate	5.94%	6.10%

Self-Insurance

In June 2015, the Company became self-insured under its Employee Group Medical Plan, and currently is responsible to pay the first $50,000 in medical costs per individual participant for claims incurred in the calendar year up to a maximum of approximately $1.8 million per year in the aggregate based on enrollment. The Company had an accrued liability of approximately $150,000 and $68,000 as of December 31, 2020 and December 31, 2019, respectively, for insurance claims that it anticipates paying in the future related to claims that occurred prior to December 31, 2020. Effective January 1, 2021, the Company moved onto a traditional Employee Group Medical Plan and will no longer be self-insured for claims occurring after that date.

Effective April 1, 2015, the Company had entered into a workers' compensation and employer's liability insurance policy with a term through March 31, 2018. Under the terms of the policy, the Company was required to pay premiums in addition to a portion of the cost of any claims made by our employees, up to a maximum of approximately $1.8 million over the term of the policy (an amount that was variable with changes in annualized compensation amounts). As of December 31, 2020, a former employee of ours had an open claim relating to injuries sustained while in the course of employment, and the projected maximum cost of the policy as determined by the insurance carrier included estimated claim costs that have not yet been paid or incurred in connection with the claim. During the year ended December 31, 2017, our insurance carrier formally denied the workers' compensation claim and has moved to close the claim entirely. Per the terms of our insurance policy, through December 31, 2018, we had paid in approximately $1.8 million of the projected maximum plan cost of $1.8 million, and had recorded approximately $1.6 million as expense over the term of the policy. We recorded the remaining approximately $189,000 in payments made under the policy as a long-term asset, which we expect will either be recorded as expense in future periods, or refunded to us by the insurance carrier, depending on the outcome of the individual claim described above, and the final cost of any additional open claims incurred under the policy. As of December 31, 2020, we believe we have paid all amounts contractually due under the policy. Effective April 1, 2018, we entered into a new workers' compensation policy with a fixed premium amount determined annually, and therefore are no longer partially self-insured for workers' compensation and employer's liability.

Note 13- Segment Reporting

In 2019 we reorganized our business segments to align with how the oil and gas industry and our management team evaluates the business. Enservco's reportable business segments are Production Services and Completion and Other Services. These segments have been selected based on management's resource allocation and performance assessment in making decisions regarding the Company.

The following is a description of the segments:

Production Services: This segment utilizes a fleet of hot oil trucks and acidizing units to provide maintenance services to the domestic oil and gas industry. These services include hot oil services and acidizing services.

Completion and Other Services: This segment utilizes a fleet of frac water heating units to provide frac water heating services to the domestic oil and gas industry. These services also include other services, which consists primarily of hauling and transport of materials for customers.

Unallocated includes general overhead expenses and assets associated with managing all reportable operating segments which have not been allocated to a specific segment.

The following tables set forth certain financial information with respect to Enservco 's reportable segments (in thousands):

	Production Services	Completion and Other Services	Unallocated	Total
Year Ended December 31, 2020:				
Revenues	$ 7,714	$ 7,969	$ -	$ 15,683
Cost of Revenue	8,410	8,801	-	17,211
Segment Loss	$ (696)	$ (832)	$ -	$ (1,528)
Depreciation and Amortization	$ 2,378	$ 2,512	$ 392	$ 5,282
Capital Expenditures	$ 176	$ 185	$ -	$ 361
Identifiable assets (1)	$ 12,353	$ 13,050	$ 939	$ 26,342
Year Ended December 31, 2019:				
Revenues	$ 14,704	$ 28,322	$ -	$ 43,026
Cost of Revenue	13,575	21,032	-	34,607
Segment Profit	$ 1,129	$ 7,290	$ -	$ 8,419
Depreciation and Amortization	$ 2,648	$ 2,922	$ 122	$ 5,692
Capital Expenditures	$ 399	$ 419	$ 373	$ 1,191
Identifiable assets (1)	$ 18,233	$ 19,121	$ 1,420	$ 38,774

(1) Identifiable assets is calculated by summing the balances of accounts receivable, net; inventories; property and equipment, net; and other assets.

The following table reconciles the segment profits reported above to the loss from operations reported in the consolidated statements of operations (in thousands):

	December 31, 2020	December 31, 2019
Segment (loss) profit	$ (1,528)	$ 8,419
Sales, general and administrative expenses	(5,002)	(6,153)
Patent litigation defense costs	-	(10)
Severance and transition costs	(145)	(83)
(Loss) gain from disposal of equipment	(47)	73
Impairment loss	(733)	(127)
Depreciation and amortization	(5,282)	(5,692)
Loss from Operations	$ (12,737)	$ (3,573)

Geographic Areas:

The Company only does business in the United States, in what it believes are three geographically diverse regions. The following table sets forth revenue from operations for the Company's three geographic regions during the fiscal years ended December 31, 2020 and 2019 (amounts in thousands):

	For the Year Ended December 31,	
	2020	**2019**
BY GEOGRAPHY:		
Production Services:		
Rocky Mountain Region (1)	$ 2,689	$ 6,515
Central USA Region (2)	4,552	7,449
Eastern USA Region (3)	473	740
Total Production Services	7,714	14,704
Completion and Other Services:		
Rocky Mountain Region (1)	6,601	21,535
Central USA Region (2)	108	3,223
Eastern USA Region (3)	1,260	3,564
Total Completion and Other Services	7,969	28,322
Total Revenues	$ 15,683	$ 43,026

Notes to tables:

(1) Includes the D-J Basin/Niobrara field (northeastern Colorado and southeastern Wyoming), the San Juan Basin (southeastern Colorado and northeastern New Mexico), the Powder River and Green River Basins (northeastern and southwestern Wyoming), the Bakken area (western North Dakota and eastern Montana).

(2) Includes the Scoop/Stack Shale in Oklahoma and the Eagle Ford Shale - in Texas.

(3) Consists of the southern region of the Marcellus Shale formation (southwestern Pennsylvania and northern West Virginia) and the Utica Shale formation (eastern Ohio).

Note 14- Subsequent Events

Subsequent to December 31, 2020, the Company entered into a series of capitalization transactions, including a $9.0 million equity raise, of which $3.0 million was used to fund a principal payment on our Credit Facility, a $1.3 million conversion of subordinated debt and accrued interest with a related party to equity, and an extension of our Credit Facility for one additional year, which extended the maturity date to October 15, 2022. See Note 2 - Summary of Significant Accounting Policies and Recent Developments for discussion of these transactions.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, as of December 31, 2020, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer (our principal executive officer) and our Chief Financial Officer (our principal financial officer). Based upon and as of the date of that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2020.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information re quired to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

Beginning January 1, 2019, we adopted ASC 842 "Leases". Although the adoption of the new accounting standard did not have a material impact on our Condensed Consolidated Statements of Operations or Condensed Consolidated Statements of Cash Flows, we implemented changes to our processes related to accounting for leases and related internal controls. These changes included the development of new policies related to the new leasing framework, training, ongoing contract review requirements, and gathering of information to comply with disclosure requirements.

There has been no change in the Company's internal control over financial reporting during the quarter covered by this report that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item will be included under the headings "Board of Directors," "Executive Officers," "Section 16(a) Beneficial Ownership Reporting Compliance," and "Corporate Governance" in our definitive proxy statement for our 2021 Annual Meeting of Stockholders, and such required information is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be included under the heading "Compensation of Directors and Executive Officers" in our definitive proxy statement for our 2021 Annual Meeting of Stockholders, and such required information is incorporated herein by reference.

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

Securities Authorized for Issuance Under Equity Compensation Plans

The following is provided with respect to compensation plans (including individual compensation arrangements) under which equity securities are authorized for issuance as of December 31, 2020:

Equity Compensation Plan Information

Plan Category and Description	Number of 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	11,569 (1)	$ 5.87	656,820 (3)
Equity Compensation Plans Not Approved by Security Holders	2,000 (2)	10.50	-
Total	13,569	$ 6.55	656,820

(1) Represents unexercised options outstanding under the Company’s 2016 Stock Incentive Plan.

(2) Consists of (i) a 2,000 share warrant issued in June 2016 to the principals of the Company’s existing investor relations firm exercisable at $10.50 per share.

(3) Calculated as 692,782 shares of common stock reserved for the 2016 Stock Incentive Plan less 11,569 options outstanding or exercised under the 2016 Plan and 24,393 of Restricted Stock Award shares outstanding under the 2016 Plan. No additional stock option grants will be granted under the 2010 Plan as summarized below.

Description of the 2010 Stock Incentive Plan:

On July 27, 2010, the Company’s Board of Directors adopted the 2010 Stock Incentive Plan (the “2010 Plan”). The 2010 Plan permitted the granting of equity-based awards to our directors, officers, employees, consultants, independent contractors and affiliates. The 2010 Plan was approved by the Company’s stockholders in October 2010 and permitted the issuance of options that qualify as Incentive Stock Options pursuant to Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”).

As discussed below, the 2010 Plan has been replaced by a new stock option plan and no additional stock option grants will be granted under the 2010 Plan. As of December 31, 2020, there are no options to purchase shares under the 2010 Plan.

Description of the 2016 Stock Incentive Plan:

On July 18, 2016, the Board of Directors unanimously approved the adoption of the Enservco Corporation 2016 Stock Incentive Plan (the “2016 Plan”), which was approved by the stockholders on September 29, 2016. The 2016 Plan is administered by our Board of Directors, which may in turn delegate authority to administer the 2016 Plan to a committee. Our plan administrator may make grants of cash and equity awards under the 2016 Plan to facilitate compliance with Section 162(m) of the Code. Subject to the terms of the 2016 Plan, the plan administrator may determine the recipients, numbers and types of awards to be granted, and the terms and conditions of the awards, including the period of their exercisability and vesting. On November 29, 2017, the Board of Directors established a compensation committee that will administer the 2016 Plan.

The aggregate number of shares of our common stock reserved for issuance under the 2016 Plan will not exceed 692,782 shares through September 29, 2026 (the stated life of the 2016 plan). As of December 31, 2020, there were options to purchase 11,569 shares outstanding, 61,778 options had been exercised pursuant to the 2016 Plan, and 24,393 Restricted Stock Award shares outstanding under the 2016 Plan.

The 2016 Plan permits the granting of:

- Stock options (including both incentive and non-qualified stock options);
- Stock appreciation rights (“SARs”);
- Restricted stock and restricted stock units;
- Performance awards of cash, stock, other securities or property;
- Other stock grants; and
- Other stock-based awards.

Unless sooner discontinued or terminated by the Board, the 2016 Plan will expire on September 29, 2026. No awards may be made after that date. However, unless otherwise expressly provided in an applicable award agreement, any award granted under the 2016 Plan prior to expiration extends beyond the expiration of the 2016 Plan through the award’s normal expiration date.

Without the approval of the Company’s stockholders, the Committee will not re-price, adjust or amend the exercise price of any options or the grant price of any SAR previously awarded, whether through amendment, cancellation and replacement grant or any other means, except in connection with a stock dividend or other distribution, including a stock split, merger or other similar corporate transaction or event, in order to prevent dilution or enlargement of the benefits, or potential benefits intended to be provided under the 2016 Plan.

Other Stock Compensation Arrangements

In November 2012, the Company granted each of the principals of its existing investor relations firm a warrant to purchase 7,500 shares of the Company’s common stock (a total of 15,000 shares) for the firm’s part in creating awareness for the Company’s private equity placement, in November 2012, as discussed herein. The warrants were exercisable at $8.25 per share for a five-year term. Each of the warrants may be exercised on a cashless basis. The warrants also provide that subject to various conditions, the holders have piggy-back registration rights with respect to the shares of common stock that may be acquired upon the exercise of the warrants. None of these warrants remain outstanding at December 31, 2020.

The information required by this item will be included under the heading "Security Ownership of Certain Beneficial Owners and Management" in our definitive proxy statement for our 2021 Annual Meeting of Stockholders, and such required information is incorporated herein by reference.

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

The information required by this item will be included under the heading "Certain Relationships and Related Transactions" in our definitive proxy statement for our 2021 Annual Meeting of Stockholders, and such required information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item will be included under the heading "Principal Accountant Fees and Services" in our definitive proxy statement for our 2021 Annual Meeting of Stockholders, and such required information is incorporated herein by reference.

PART IV.

ITEM 15. EXHIBITS

Exhibit No.	Title
1.01	Common Stock Sales Agreement by and between the Company and Alliance Global Partners dated September 28, 2020. [21]
3.01	Second Amended and Restated Certificate of Incorporation. [1]
3.02	Certificate of Amendment of Second Amended and Restated Certificate of Incorporation. [2]
3.03	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation filed on November 20, 2020. [18]
3.04	Amended and Restated Bylaws. [3]
4.01	Description of Securities. [13]
4.02	Warrant to Purchase Common Stock dated September 23, 2020. [17]
10.01	2016 Stock Incentive Plan. [4]
10.02	Employment Agreement between the Company and Marjorie A. Hargrave. [9]
10.03	Loan and Security Agreement with East West Bank, a California banking corporation. [22]
10.04	Form of Indemnification Agreement. [5]
10.05	Subordinated Loan Agreement. [10]
10.06	Subordinated Promissory Note – $1.0 Million. [7]
10.07	Subordinated Promissory Note – $1.5 Million. [7]
10.08	Warrant – 645,161 Shares. [7]
10.09	Warrant – 967,741 Shares. [7]
10.10	Executive Severance Agreement effective May 29, 2020, by and between Ian E. Dickinson and the Company [14]
10.11	First Amendment to Loan and Security Agreement and Waiver, dated November 20, 2017. [8]
10.12	Second Amendment to Loan and Security Agreement dated October 26, 2018. [11]
10.13	Third Amendment to Loan and Security Agreement dated August 12, 2019. [10]
10.14	Membership Interest Purchase Agreement to purchase Adler Hot Oil Service, LLC. [12]
10.15	Seller Subordinated Promissory Note. [18]
10.16	PPP Promissory Note dated April 10, 2020. [15]
10.17	Fourth Amendment to Loan and Security Agreement dated July 6, 2020. [16]
10.18	Fifth Amendment to Loan and Security Agreement dated September 23, 2020 [17]
10.19	Sixth Amendment to Loan and Security Agreement dated February 1, 2021 [19]
10.20	Note Conversion Agreement by and between the Company and Cross River Partners, L.P. dated February 3, 2021. [20]
11.1	Statement of Computation of per share earnings. Filed herewith. (contained in Note 2 to the Consolidated Financial Statements).
14.1	Code of Business Conduct and Ethics Whistleblower Policy. [6]
21.1	Subsidiaries of Enservco Corporation. Filed herewith.
23.1	Consent of Plante & Moran, PLLC.
24.1	Power of Attorney (included on signature page).
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Principal Executive Officer). Filed herewith.
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Principal Financial Officer). Filed herewith.
32.1	Certification pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002 (Chief Executive Officer). Filed herewith.
32.2	Certification pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (Chief Financial Officer). Filed herewith.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document

(1) Incorporated by reference from the Company 's Current Report on Form 8-K dated December 30, 2010, and filed on January 4, 2011.
(2) Incorporated by reference from the Company 's Current Report on Form 8-K dated June 20, 2014, and filed on June 25, 2014.
(3) Incorporated by reference from the Company 's Current Report on Form 8-K dated July 27, 2010, and filed on July 28, 2010.
(4) Incorporated by reference from the Company 's Proxy Statement on Form DEF 14A and filed on August 16, 2016.
(5) Incorporated by reference from Exhibit 10.07 to the Company 's Annual Report on Form 10-K dated December 31, 2013 and filed on March 18, 2014.
(6) Incorporated by reference from the Company 's Current Report on Form 8-K dated July 27, 2010, and filed on July 28, 2010.
(7) Incorporated by reference from the Company 's Current Report on Form 8-K dated June 28, 2017, and filed on July 3, 2017.
(8) Incorporated by reference from the Company's Current Report on Form 8-K dated November 20, 2017, and filed on November 21, 2017.
(9) Incorporated by reference from the Company's Current Report on Form 8-K dated July 24, 2019, and filed on July 24, 2019.
(10) Incorporated by reference from the Company's Current Report on From 10-Q dated June 30, 2019 and filed on August 14, 2018.
(11) Incorporated by reference from the Company's Current Report on From 8-K dated October 26, 2018 and filed on November 1, 2018.
(12) Incorporated by reference from the Company 's Current Report on Form 8-K dated December 2, 2016, and filed on December 7, 2016.
(13) Incorporated by reference from Exhibit 4.1 to the Company 's Annual Report on Form 10-K dated December 31, 2019 and filed on March 20, 2020.
(14) Incorporated by reference from the Company's Current Report on Form 8-K dated May 29, 2019, and filed on June 2, 2019.
(15) Incorporated by reference from the Company’s Current Report on Form 8-K dated April 10, 2020, and filed on April 16, 2020.
(16) Incorporated by reference from the Company’s Current Report on From 10-Q dated June 30, 2020 and filed on August 14, 2020.
(17) Incorporated by reference from the Company’s Current Report on Form 8-K dated September 23, 2020, and filed on September 28, 2020.
(18) Incorporated by reference from the Company’s Current Report on Form 8-K dated January 20, 2021, and filed on January 21, 2021.
(19) Incorporated by reference from the Company’s Current Report on Form 8-K dated February 1, 2021, and filed on February 2, 2021.
(20) Incorporated by reference from the Company’s Current Report on Form 8-K dated and filed on February 3, 2021.
(21) Incorporated by reference from the Company’s Current Report on Form 8-K dated September 28, 2020, and filed on September 28, 2020.
(22) Incorporated by reference from the Company’s Current Report on Form 10-Q dated June 30, 2017, and filed on August 14, 2017.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

March 23, 2021

ENSERVCO CORPORATION,
a Delaware Corporation

/s/ Richard A. Murphy
Director and Chief Executive officer

(Power of Attorney)

Each person whose signature appears below appoints Richard A. Murphy and Marjorie Hargrave, and each of them, any of whom may act without the joinder of the other, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any or all amendments to this annual report on Form 10-K for the year ended December 31, 2020, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he or she might or would do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirement of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Date	Name and Title	Signature
March 23, 2021	Richard A. Murphy Director and Executive Chairman (Principal Executive Officer)	/s/ Richard A. Murphy
March 23, 2021	Marjorie Hargrave President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	/s/ Marjorie Hargrave
March 23, 2021	Robert S. Herlin Director	/s/ Robert S. Herlin
March 23, 2021	William A. Jolly Director	/s/ William A. Jolly

ENSERVCO CORPORATION
Subsidiaries of the Registrant
December 31, 2020

Name	State of Formation	Ownership
Dillco Fluid Service, Inc.	Kansas	100% by Enservco
Heat Waves Hot Oil Service LLC	Colorado	100% by Enservco
Heat Waves Water Management LLC	Colorado	100% by Enservco
HE Services, LLC	Nevada	100% by Heat Waves
Adler Hot Oil Service, LLC	Delaware	100% by Enservco

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in Enservco Corporation's Registration Statement on Form S-8 (File No. 333-222636 and 333-188156) of our report dated March 23, 2021 relating to the consolidated financial statements for the fiscal year ended December 31, 2020 and 2019, which appears in this Form 10-K.

Plante & Moran, PLLC

Denver, CO
March 23, 2021

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934

I, Rich Murphy, certify that:

1. I have reviewed this annual report on Form 10-K of Enservco Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 23, 2021

/s/ Rich Murphy
Rich Murphy, Principal Executive Officer and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934

I, Marjorie Hargrave, certify that:

1. I have reviewed this annual report on Form 10-K of Enservco Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 23, 2021

/s/ Marjorie Hargrave
Marjorie Hargrave, Principal Financial Officer and Chief Financial Officer

Exhibit 32.1

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

In connection with the Annual Report of Enservco Corporation (the "Company") on Form 10-K for the period ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Rich Murphy, Chief Executive Officer and principal executive officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

March 23, 2021

/s/ Rich Murphy
Rich Murphy, Principal Executive Officer and Chief Executive Officer

Exhibit 32.2

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

In connection with the Annual Report of Enservco Corporation (the "Company") on Form 10-K for the period ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Marjorie Hargrave, Chief Financial Officer and principal financial officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

March 23, 2021

/s/ Marjorie Hargrave
Marjorie Hargrave, Principal Financial Officer and Chief Financial Officer