

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549
FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2018.

OR

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

For the transition period from _____ to _____

Commission file number 001-38066

Select Energy Services, Inc.

(Exact name of registrant as specified in its charter)

<p style="text-align: center;">Delaware</p> <p>(State or Other Jurisdiction of Incorporation or Organization)</p> <p style="text-align: center;">515 Post Oak Boulevard, Suite 200 Houston, Texas</p> <p>(Address of Principal Executive Offices)</p>	<p style="text-align: center;">81-4561945</p> <p>(I.R.S. Employer Identification No.)</p> <p style="text-align: center;">77027</p> <p>(Zip Code)</p>
--	---

Registrant's telephone number, including area code (713) 235-9500

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

Title of each class	Name of each exchange on which registered
Class A Common Stock \$0.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the 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 (§299.405 of this chapter) is not contained herein, and will not be contained, to the best of the 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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act).

Yes No

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant computed as of June 30, 2018 (the last business day of the registrant's most recent completed second fiscal quarter) based on the closing price of the Class A common stock on the New York Stock Exchange was \$874.4 million. There were 79,048,523 and 26,026,843 shares of the registrant's Class A and Class B common stock, respectively, outstanding as of February 25, 2019.

Documents Incorporated by Reference:

Portions of the registrant's definitive proxy statement for the 2019 annual meeting of stockholders, to be filed no later than 120 days after the end of the fiscal year, are incorporated by reference into Part III of this Annual Report on Form 10-K.

Table of Contents

	<u>Page</u>	
<u>PART I</u>		
Item 1.	Business	4
Item 1A.	Risk Factors	26
Item 1B.	Unresolved Staff Comments	53
Item 2.	Properties	54
Item 3.	Legal Proceedings	54
Item 4.	Mine Safety Disclosure	55
<u>PART II</u>		
	Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity	
Item 5.	Securities	55
Item 6.	Selected Financial Data	57
Item 7.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	60
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	83
Item 8.	Financial Statements and Supplementary Data	84
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	84
Item 9A.	Controls and Procedures	84
Item 9B.	Other Information	87
<u>PART III</u>		
Item 10.	Directors, Executive Officers and Corporate Governance	88
Item 11.	Executive Compensation	88
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	88
Item 13.	Certain Relationships and Related Transactions, and Director Independence	88
Item 14.	Principal Accountant Fees and Services	88
<u>PART IV</u>		
Item 15.	Exhibits and Financial Statement Schedules	88

PART I

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information in this Annual Report on Form 10-K includes “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”). All statements, other than statements of historical fact, included in this Annual Report regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this Annual Report, the words “could,” “believe,” “anticipate,” “intend,” “estimate,” “expect,” “project,” “preliminary,” “forecast,” and similar expressions or variations are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on our current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements described under the heading “Risk Factors” included elsewhere in this Annual Report on Form 10-K, as well as the other documents we file from time to time with the Securities and Exchange Commission (the “SEC”). These forward-looking statements are based on management’s current belief, based on currently available information, as to the outcome and timing of future events.

Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, those summarized below:

- the level of capital spending and access to capital markets by oil and gas companies;
- trends and volatility in oil and gas prices;
- demand for our services;
- capacity constraints on regional oil, natural gas and water gathering, processing and pipeline systems that result in a slowdown in drilling and completion investment, and thus a slowdown in the demand for our services in our core markets;
- our ability to retain key management and employees;
- our ability to hire and retain skilled labor;
- " regional impacts to our business, including our key infrastructure assets within the Bakken and northern Delaware;
- our level of indebtedness and our ability to comply with covenants contained in our Credit Agreement (as defined herein) or future debt instruments;
- our access to capital to fund expansions, acquisitions and our working capital needs and our ability to obtain debt or equity financing on satisfactory terms;
- our health, safety and environmental performance;
- the impact of current and future laws, rulings and governmental regulations, including those related to hydraulic fracturing, accessing water, disposing of wastewater, transferring produced water, interstate freshwater transfer, chemicals and various environmental matters;
- the impact of competition on our operations;

- the degree to which our exploration and production (“E&P”) customers may elect to bring their water-management services in-house rather than source these services from companies like us;
- delays or restrictions in obtaining permits by us or our customers;
- constraints in supply or availability of equipment used in our business;
- the impact of advances or changes in well-completion technologies or practices that result in reduced demand for our services;
- changes in global political or economic conditions, generally, and in the markets we serve;
- accidents, weather, seasonality or other events affecting our business; and
- the other risks identified in this Annual Report including, without limitation, those under the headings “Item 1A. Risk Factors,” “Item 1. Business,” “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” (“MD&A”) and “Item 13. Certain Relationships and Related Transactions, and Director Independence.”

These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could have material adverse effects on our future results. Our future results will depend upon various other risks and uncertainties, including those described elsewhere in this Annual Report. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no obligation to update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise. All forward-looking statements attributable to us are qualified in their entirety by this cautionary note.

References Within This Annual Report

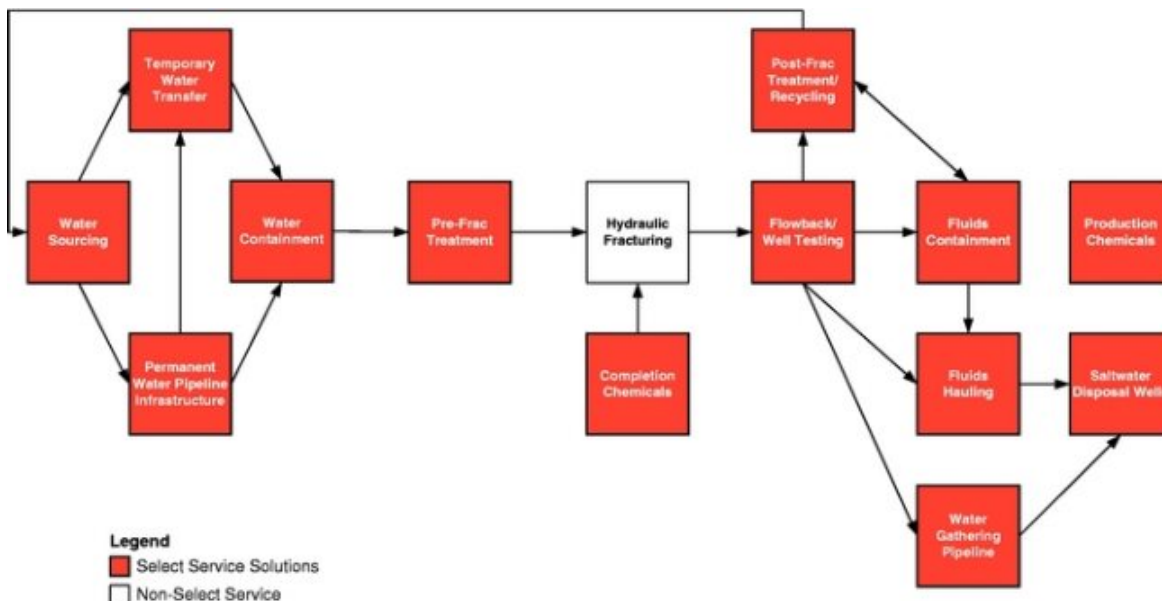
As used in Part I of this Annual Report on Form 10-K, unless the context otherwise requires, references to the “Company,” “we,” “our,” “us” or similar expressions refer (1) for time periods prior to our December 2016 private placement of 16,100,000 shares of our Class A-1 common stock at \$20.00 per share (the “Select 144A Offering”) and the related corporate reorganization transactions to Select Energy Services, LLC (“Select LLC”) and SES Holdings, LLC (“SES Holdings”) and their consolidated subsidiaries, (2) for time periods after the Select 144A Offering and the related corporate reorganization transactions and prior to the Rockwater Merger (as defined herein) and the related corporate reorganization transactions, to Select Energy Services, Inc. (“Select Inc.”) and its consolidated subsidiaries and (3) after the Rockwater Merger and the related corporate reorganization transactions, to Select Inc. and its consolidated subsidiaries, including those subsidiaries acquired in the Rockwater Merger. Additionally, prior to the consummation of the Rockwater Merger and the related corporate reorganization transactions, “Rockwater” refers to Rockwater Energy Solutions, Inc. and its consolidated subsidiaries and “Rockwater LLC” refers to Rockwater Energy Solutions, LLC and its consolidated subsidiaries. Following the consummation of Rockwater Merger and the related corporate reorganization transactions “Rockwater” refers to Select Energy Solutions (RW), Inc. and its consolidated subsidiaries and “Rockwater LLC” refers to Rockwater Energy Solutions, LLC and its consolidated subsidiaries.

ITEM 1. BUSINESS

We are a leading provider of water-management solutions to the oil and gas industry in North America. We also develop, manufacture and deliver chemical solutions for use in oil and gas well completions and production operations. Within the major shale plays in the United States, we believe we are a market leader in water sourcing, water transfer (both by permanent pipeline and temporary hose) and temporary water containment prior to its use in drilling and completion activities associated with hydraulic fracture stimulation or “fracking,” which we refer to collectively as “pre-frac water services”. In addition, we provide testing and flowback services immediately following the well completion. In most of our areas of operations, we also provide additional complementary water-related services that support oil and gas well completion and production activities, including monitoring, treatment, hauling, water recycling and disposal. We also manufacture a full suite of specialty chemicals used in the fracturing process, and we provide chemicals needed by our customers to help increase oil and gas production and lower costs over the life of a well. We believe we are the only company in the oilfield services industry that combines water-management services with related chemical products.

Water is essential to the development and completion of unconventional oil and gas wells, where producers rely on fracking to stimulate the production of oil and gas from dense subsurface rock formations. The volume of water required to economically produce tight oil and gas reserves in the United States and Canada has grown more than tenfold in recent years. Water and related services comprise a large and growing portion of our customers’ drilling and completion costs. The fracking process involves the injection of large volumes of water and proppant (typically sand) together with chemicals under high pressure, through a cased and cemented wellbore into targeted subsurface formations thousands of feet below ground to fracture the surrounding rock. Our team of chemists and research and development personnel work with our customers to optimize the frac fluid system. Our completion chemicals are blended with water to improve the transport and placement of proppant in targeted zones within the producing formation. The induced fractures near the wellbore allow hydrocarbons to flow into the wellbore for extraction. Up to fifty percent of the water pumped into the well during the fracking process returns as “flowback” during the first several weeks following the well completion process, and a large percentage of the remainder, plus pre-existing water in the formation, is recovered as produced water over the life of the well. This flowback and produced water must be captured, contained and then either disposed of in an environmentally safe manner, or treated and recycled for reuse in subsequent frac jobs. We provide services that support the operator’s management of flowback and produced water for either disposal or reuse. After the well has been fracked, we provide services related to initial flowback, followed by long-term production operations. Our customized chemical treatment programs help improve well productivity and reduce production costs, thereby extending the economic life of our customers’ oil and gas wells.

The diagram below illustrates the primary water solutions and oilfield chemicals services we provide during the completion and production cycle of a horizontal well:



Advances in drilling and completion technology have propelled U.S. shale-oil production from about 500,000 barrels per day in 2010 to nearly six million barrels per day in 2018. Concurrently, the total volumes of water required in the fracking process have grown dramatically. For example, in 2010 the completion of a typical horizontal well might require roughly 75,000 barrels, or the equivalent of approximately 575 tank truck loads of water. Today, current horizontal well completion designs can call for in excess of 500,000 barrels for a single well, roughly equivalent to 3,850 truck loads of water. Multi-well pad completions can require in excess of five million barrels, or the equivalent of 38,500 tank truck loads, of water per pad. Significant mechanical, logistical, environmental and safety issues related to the transfer and subsequent containment of such large volumes via tank truck have resulted in tank trucks no longer representing a viable solution for the transport of frac water. Accordingly, E&P companies have shifted their pre-frac operational focus away from traditional tank truck operators and small, local water service providers, to larger regional and national players like us, who have the expertise, technology and scale to provide high quality, reliable, comprehensive and environmentally sound water-management solutions.

The total volumes of flowback and produced water are even greater—by some estimates, the U.S. oil and gas industry today produces over 20 billion barrels of water per year and this volume is likely to grow. We believe the industry will increasingly turn to companies like us to help cost-effectively manage produced water in an environmentally responsible way.

We believe our broad geographic footprint, comprehensive suite of water services, inventory of water sources and permanent and temporary pipeline infrastructure position us to be a leading provider of water solutions in all of the shale oil and gas plays that we serve. We have well-established field operations in what we believe to be core areas of many of the most active shale plays in North America, including the Permian Basin, SCOOP/STACK, Bakken, Eagle Ford, Haynesville, Marcellus, Utica, Rockies (DJ/Niobrara, Powder River and Uinta), other Mid-Continent (“MidCon”) basins (Woodford, Barnett, Fayetteville, Granite Wash and Mississippian) and Western Canada. Our broad footprint enables us to service the majority of current domestic unconventional drilling and completions activity. We estimate that over 80% of all currently active U.S. onshore horizontal rigs are operating in our primary service areas. We believe that the vast majority of rigs that will be deployed in the near- to medium-term will be situated in these areas. In particular, we have established a strong position in the Permian Basin, which is presently our largest operating region.

We have secured access to significant volumes of water in key unconventional development areas, to support our pre-frac services offering. Water sources are often difficult to locate, acquire and permit, particularly in the quantities needed for multi-well pad development programs. We have secured permits or long-term access rights to approximately 1.8 billion barrels of water annually from hundreds of sources, including large-scale sources such as the Brazos, Missouri, Navasota, Ohio, Pecos, Rio Grande, Sabine, San Antonio and Washita Rivers, as well as large industrial sources of water in the northern Delaware Basin region of the Permian Basin. In the Bakken, for example, we believe we have established a market-leading position by securing three governmental permits which enable us to withdraw up to 100 million barrels of water annually from the Missouri River and Lake Sakakawea in North Dakota. Freshwater access cannot be easily replicated on Lake Sakakawea today as there are multiple environmental and regulatory conditions that must be met before an industrial water intake location can be built. New permits will also not be granted within 25 miles of an intake location associated with an existing permit. We have three of the five existing permits off Lake Sakakawea. In addition to surface water rights, groundwater resources, including both fresh and brackish water, are a key component of our extensive water portfolio.

These sources have been secured or developed within our Water Solutions segment and are designed with dedicated containment and transfer logistics to offer a complete water-management solution. The first step in procuring a water source is identifying an area of interest based on anticipated drilling and completion activity as a result of lease activity, applications for permits and industry sources. After a specific water source is identified, we perform an assessment of the particular prospective source, including confirming availability, regulatory status, and any limitations on potential water rights. We use our AquaView[®] technology to quantify volumes and flow rates to verify current and potential water availability and volumes. After confirming the relevant ownership information, we begin negotiations with the applicable landowner or holder of the water rights. After finalizing the agreements and access rights, our team will obtain necessary regulatory approvals, permits and rights-of-way as needed based on the regulatory authorities involved and individual circumstances.

Going forward, we believe that our expertise and relationships in water sourcing will continue to constitute a competitive advantage in identifying and securing additional sources of water. Additionally, water is increasingly becoming sourced through the reuse of produced or flowback water from existing wells that have been subjected to various treatment, recycling or freshwater blending options. We have a dedicated team of individuals focused on developing and deploying water treatment and reuse services for our customers. Although water reuse has been a relatively small percentage of our revenue to-date, we believe demands for our water-reuse services will increase as overall water demands increase, freshwater availability becomes more limited, regulatory restrictions on the use of freshwater become more onerous, flowback and produced water disposal costs escalate, and the reuse of treated flowback and produced water becomes a cost-effective alternative to freshwater sourcing in certain areas.

We also manage the transfer of water from the source, between containments, and ultimately to the wellsite for well completion. This water may originate from one of our sources, or may be owned by a customer. We have invested significant capital in temporary pipe, including approximately 1,500 miles of lay-flat hose, and other related assets. Our lay-flat hose provides a flexible water transfer solution and can be customized to fit a specific project. After the completion of a project, the lay-flat hose can be quickly and cost-effectively removed and redeployed for a new project. These investments enable us to provide our customers with temporary water transfer systems that have substantially lower risk of leaks or spills compared to many alternative temporary piping options. We believe our expansive inventory of lay-flat hose, in combination with our customers' preference for this temporary water transfer method, positions us to be a market leader for this class of water transfer services.

To support our water sourcing and transfer services, we have also made significant investments in strategic permanent pipelines that provide reliable and cost-effective water delivery. Our most significant discrete infrastructure investments to date have been in the Bakken region, where we operate two underground pipeline systems, the Charlson and the Iverson systems, in McKenzie County, North Dakota that can currently deliver up to 62 million barrels of freshwater per year. We are currently developing a third underground pipeline to supply freshwater to oil and gas companies operating in Williams County and western Mountrail County, North Dakota. Once completed, this third system would allow us to fully utilize our 100 million barrels of annual water rights in this region. We have signed long-term contracts supported by Areas of Mutual Interest with major Bakken producers that we believe will use a significant portion of our current pipeline capacity. Additionally, with the GRR Acquisition in March 2017, we acquired

rights to a vast array of fresh, brackish and effluent water sources with access to significant volumes of water annually. We also acquired water transport infrastructure, including over 1,000 miles of temporary and permanent pipeline infrastructure, related storage facilities and pumps, and associated rights of way, all located in the northern Delaware sub-basin of the Permian Basin. In February 2019, we announced that we had secured a multi-year contract with a major global integrated oil company to help underwrite the expansion of our water pipeline network in this area. We also acquired additional sourcing contracts in the northern Delaware Basin region of the Permian Basin to support this expansion.

In addition to water sourcing and transfer, our Water Solutions segment offers various complementary water-related services that support oil and gas completion and production activities. Before and during the completion phase of a well, along with water sourcing and transfer, we offer water containment, monitoring and treatment solutions. Following the completion process, we provide flowback and well-testing services, produced water hauling, pipeline gathering and disposal services and water treatment and recycling solutions relating to the potential reuse of flowback and produced water for new well completions. We support our customers across the life cycle of a well from completion to production. Our comprehensive technical expertise related to water solutions management uniquely positions us relative to other water solutions providers to provide our customers comprehensive service solutions designed to maximize well performance, reduce costs and increase efficiencies while reducing the environmental impacts of their resource development.

We have also invested significantly in our AquaView[®] suite of proprietary hardware and software applications for measuring and monitoring water. Our solar-powered cellular and satellite-based remote-monitoring telemetry systems provide the ability to gain precise and accurate volumetric analyses of water assets and provide real-time data to our customers that is accessible 24/7 via computer, smart phone or tablet. Our Hydrographic Mapping Vessels (“HMs”) use sonar, GNSS, and compass technology to provide precise volumetric analyses of water assets. The HMs are rapidly deployed, durable enough to handle flowback pits, and can navigate through tight spaces in natural ponds. Additionally, our Aquaview[®] sensors give timely information about acid levels, water quality, temperature and flow rate to assure there is sufficient water at the right quality levels and provide alarm notifications to prevent problems during the well completion.

Our AquaLogic[™] suite of automated solutions consists of automated equipment including water transfer pumps, manifolds, proportioning systems and telemetry meter trailers. AquaLogic[™] gives operators the ability to remotely set and maintain operational parameters. When the system detects that a certain threshold has been crossed, it sends out an alert and then, through dynamic machine learning, takes intelligent action to keep operations running safely and smoothly. This can include actions such as raising a pumps’ RPM to maintain desired flow rates, adjusting valves in a proportioning system to maintain the desired water quality whilst blending fresh and impaired water sources on-the-fly or shutting down the system and valves completely in the event of a detected failure. Our automation capabilities provide a safer, more efficient and cost-effective transfer, treatment and containment of produced or other impaired water sources.

Our Oilfield Chemicals segment, operated primarily under our subsidiary, Rockwater LLC, develops, manufactures and delivers a full suite of completion chemical products utilized in hydraulic fracturing, stimulation, cementing and related well completion processes. These products include polymers that create viscosity, crosslinkers, friction reducers, surfactants, buffers, breakers and other chemical technologies and are provided to leading pressure pumping service companies in the United States. Our production chemicals solutions, which are used by oil and gas companies to enhance well performance and reduce production costs throughout the life of a well. Our product lines support the full range of fluid systems utilized primarily in the completion and development of unconventional resources. The use of automated communications systems combined with direct-to-wellsite delivery ensures seamless product availability for our customers, while our chemical expertise enables us to deliver a customized suite of products to meet customers’ technical and economical product needs. Our expertise in frac chemistry also positions us to support our customers in the ever-changing chemistry of well completions with our wide range of manufactured products. In addition to our product offering, we provide inventory management services, including procurement, warehousing and delivery services. We have two primary manufacturing facilities in Texas and one in Oklahoma, six regional distribution centers, approximately 50 heavy chemical transport trucks and approximately 230 on-site storage and transport trailers. Rockwater has introduced the first in-basin manufacturing facility of emulsion polymers (friction reducers) in our

industry. The in-basin manufacturing facility is strategically located in the Permian Basin, which provides the advantage of reducing our overall transportation costs of delivering finished goods to our customers within the basin.

We also offer our customers various ancillary services through our Wellsite Services segment. Through our subsidiary Peak Oilfield Services, LLC (“Peak”), we provide workforce accommodations and surface rental equipment supporting oil and gas drilling, completion and production operations. Through our subsidiary Affirm Oilfield Services, LLC (“Affirm”), we provide crane and logistics services, wellsite and pipeline construction and various field services. Operating under Rockwater LLC, we also offer sand hauling and logistics services in the Bakken region, as well as water transfer, containment, fluids hauling and other rental services in Western Canada. We provide these services to a wide range of customers in many of the most active shale oil and gas plays in the United States and Canada.

We maintain a culture of safety, preserving the environment and our relationships with the communities in which we operate. We place a strong emphasis on the safe execution of our operations, including safety training for our employees and the development of a variety of safety programs designed to make us a market leader in safety standards. Further, our safety recognition program incentivizes employees throughout our organization to focus on conducting operations in accordance with our strict safety standards. In addition, we work closely with federal, state, local and tribal governments and community organizations to help ensure that our operations comply with legal requirements and community standards. We believe that our customers will select their service providers based in part on the quality of their safety and compliance records, and therefore, we will continue to make significant investments to be a market leader in this area.

Recent Developments

Northern Delaware Basin Infrastructure Investment

In February 2019, we announced the commencement of a new fixed pipeline infrastructure project in the northern Delaware Basin region of New Mexico. We expect to invest approximately \$25 million in this fixed pipeline infrastructure, which is anticipated to begin operations by the third quarter of 2019. This project is supported by a five-year take-or-pay contract with a major international integrated oil company for the purchase and delivery of 75 million barrels in total of water. The pipeline system will initially support the provision of up to 100,000 barrels of water per day utilizing existing rights-of-way and source water rights from recently executed long-term supply agreements with industrial sources.

Share Repurchase

Effective November 14, 2018, our board of directors authorized a share repurchase program of up to \$20 million, which expired December 15, 2018. During this timeframe, the Company repurchased 1,703,651 shares in open market transactions, at a total cost of \$15.7 million, for a weighted average price of \$9.19, or \$9.21 after fees. All repurchased shares were retired.

Pro Well Acquisition

On November 20, 2018 we completed our acquisition of the assets of Pro Well Testing and Wireline, Inc. (“Pro Well”) for \$12.4 million, which was funded with cash on hand. This acquisition expands our flowback footprint into the Delaware basin in New Mexico and adds new strategic customers. The Pro Well assets acquired included \$6.6 million of property, plant and equipment infrastructure that supports current operations.

Rockwater Merger

On November 1, 2017, we completed the transactions (the “Rockwater Merger”) contemplated by the Agreement and Plan of Merger, dated as of July 18, 2017 (the “Merger Agreement”), by and among us, SES Holdings, Raptor Merger Sub, Inc., a Delaware corporation and our wholly owned subsidiary, Raptor Merger Sub, LLC, a Delaware limited liability company and an indirect wholly owned subsidiary of SES Holdings, Rockwater and Rockwater LLC. Pursuant to the Merger Agreement, we combined with Rockwater in a stock-for-stock transaction in which we issued approximately 25.9 million shares of our Class A common stock, 6.7 million shares of our Class A-2 common stock and 4.4 million shares of our Class B common stock to the former holders of Rockwater

common stock and a unit-for-unit transaction in which SES Holdings issued approximately 37.3 million common units in SES Holdings (each, an “SES Holdings LLC Unit”) to the former holders of units in Rockwater LLC (each, a “Rockwater LLC Unit”). The total consideration paid was \$620.2 million. In March 2018, all 6.7 million shares of our Class A-2 common stock were converted into shares of Class A common stock.

Rockwater was incorporated as a Delaware corporation in March 2017. Prior to the Rockwater Merger, Rockwater was a holding company whose sole material asset consisted of a membership interest in Rockwater LLC. Rockwater’s predecessor corporation was formed as a Delaware corporation in June 2011 and converted into Rockwater LLC in March 2017.

Resource Water Acquisition

On September 15, 2017, we completed our acquisition (the “Resource Water Acquisition”) of Resource Water Transfer Services, L.P. and certain other affiliated assets (collectively, “Resource Water”). The total consideration paid was \$9.0 million. Resource Water provides water transfer services to E&P operators in West Texas and East Texas. Resource Water’s assets acquired included 24 miles of layflat hose as well as numerous pumps and ancillary equipment required to support water transfer operations. Resource Water has longstanding customer relationships across its operating regions which are viewed as strategic to our Water Solutions business.

Initial Public Offering

On April 20, 2017, the registration statement on Form S-1 (File No. 333-216404) relating to our initial public offering (the “IPO”) was declared effective by the SEC. The IPO closed on April 26, 2017, at which time we issued and sold 8,700,000 shares of Class A common stock at a price to the public of \$14.00 per share. We received cash proceeds of approximately \$114.2 million from this transaction, net of underwriting discounts and commissions. On May 10, 2017, the underwriters exercised in full their option to purchase an additional 1,305,000 shares of Class A common stock at a price to the public of \$14.00 per share. We received cash proceeds of approximately \$17.1 million, net of underwriting discounts and commissions and estimated offering expenses, from the sale of such additional shares pursuant to the underwriters’ option. We incurred costs of approximately \$2.8 million related to the IPO.

Crescent Merger

On March 31, 2017, Rockwater acquired Crescent Companies, LLC (“Crescent”), a company that provides water and fluid-management solutions to E&P companies principally in the Mid Continent, Marcellus/Utica, Eagle Ford and Permian basins (the “Crescent Merger”). The consideration for the Crescent Merger consisted of equity securities and the repayment of Crescent’s outstanding indebtedness, which was approximately \$39.3 million, using borrowings under Rockwater’s credit facility. Rockwater issued 4,105,998 shares of Rockwater Class A Common Stock and Rockwater LLC issued 5,693,258 Rockwater LLC Units and an equivalent number of shares of Rockwater Class B Common Stock to the owners of Crescent.

GRR Acquisition

On March 10, 2017, we completed our acquisition of Gregory Rockhouse Ranch, Inc. (the “GRR Acquisition”) and certain other affiliated entities and assets (collectively, the “GRR Entities”). The GRR Entities provide water and water-related services to E&P companies in the Permian Basin and own and have rights to a vast array of fresh, brackish and effluent water sources with access to significant volumes of water annually and water transport infrastructure, including over 1,000 miles of temporary and permanent pipeline infrastructure and related storage facilities and pumps, all located in the northern Delaware Basin portion of the Permian Basin. The total consideration we paid for this acquisition was \$59.6 million, with \$53.0 million paid in cash, \$5.5 million paid in shares of Class A common stock, and \$1.1 million in assumed tax liabilities to the sellers. We funded the cash portion of the consideration for the GRR Acquisition with \$19.0 million of cash on hand and \$34.0 million of borrowings under the Previous Credit Facility (as defined below), which we repaid with a portion of the net proceeds of the IPO. We believe this acquisition has significantly enhanced our position in the northern Delaware region of the Permian Basin.

Description of Business Segments

We offer our services through the following three operating segments: (i) Water Solutions, (ii) Oilfield Chemicals and (iii) Wellsite Services.

Water Solutions

Our Water Solutions segment is operated primarily under our subsidiary, Select LLC, and provides water-related services to customers that include major integrated oil companies and independent oil and natural gas producers. These services include: the sourcing of water; the transfer of the water to the wellsite through permanent pipeline infrastructure and temporary hose; the containment of fluids off- and on-location; measuring and monitoring of water; the filtering and treatment of fluids, well testing and handling of flowback and produced formation water; and the transportation and recycling or disposal of drilling, completion and production fluids.

Service Lines

Our Water Solutions operating segment is divided into the following service lines:

- *Water Sourcing.* Our Water Sourcing service line helps E&P companies originate water used for drilling and completion operations from our surface, ground and industrial water sources. Through a portfolio of contracts with and permits from regulatory bodies, corporations and individual landowners, we have secured rights to approximately 1.8 billion barrels of water annually from hundreds of sources, a number which varies over time, including large-scale waterways such as the Brazos, Missouri, Navasota, Ohio, Pecos, Rio Grande, Sabine, San Antonio and Washita Rivers, as well as large industrial volumes of water in the northern Delaware Basin region of the Permian Basin. In the Bakken, we have three governmental permits that enable us to withdraw up to 100 million barrels of water annually from the Missouri River and Lake Sakakawea in North Dakota. Freshwater access cannot be easily replicated on Lake Sakakawea today as there are multiple environmental and regulatory conditions that must be met before an industrial water intake location can be built. New permits will also not be granted within 25 miles of an intake location associated with an existing permit. We have three of the five existing permits off Lake Sakakawea. Additionally, the GRR Entities, acquired in 2017, have rights to a vast array of fresh, brackish and effluent water sources with access to significant volumes of water annually. In addition to primary frac water origination, we also source brine water and other completion fluids.
- *Water Transfer.* With our Water Transfer service line we install both temporary and permanent pipeline systems to deliver water at high-volumes and rates from the water source to water containment facilities (tanks, pits and ponds), and when required, all the way to the well. Our assets include more than 110 miles of underground pipeline, over 1,000 miles of above-ground pipeline, over 1,500 miles of lay-flat hose, more than 1,200 high-rate water-transfer pumps and related equipment. With the Rockwater Merger, we expanded our water-transfer service capabilities throughout North America. Our most significant permanent pipeline systems, which are located in the Bakken and the Permian, are described in more detail below.
- *Permian:* We have significant Permian Basin infrastructure, primarily in New Mexico. The GRR acquisition, in March 2017, added significant water transport infrastructure, including over 1,000 miles of temporary and permanent pipeline infrastructure and related storage facilities and pumps, all located in the northern Delaware Basin portion of the Permian Basin.
- *Bakken:* We have invested over \$30.0 million in the Charlson Pipeline and the Iverson Pipeline in the Bakken located in McKenzie County, North Dakota, and we are developing a third pipeline system that will serve Williams County and western Mountrail County. The Charlson pipeline system is located on the eastern side of McKenzie County, North Dakota, and consists of approximately 30 miles of operational pipeline. The Iverson pipeline system is located in western McKenzie County, North Dakota, and consists of approximately 58 miles of operational pipeline. Of the approximately 88 miles of underground pipeline systems, we own 38 miles and have

contractual rights to access the remaining 50 miles. The development of the third permit began in late 2017 and, when complete, will allow us to utilize 100 million barrels of freshwater per year across the three systems.

We install lay-flat hose as part of a flexible water-transfer solution that can be customized to fit a specific project. After the completion of a project, the lay-flat hose can be quickly and cost-effectively removed and redeployed for a new project, including projects in different geographic regions. A lay-flat hose has a significantly lower risk of spills than most other types of temporary jointed-pipe as a result of the strength and durability of the hose as well as the secure nature of any coupling joints used to connect multiple sections of hose. We believe the average length of a lay-flat hose used in a project is approximately 5 miles, but the length can vary from as little as a few hundred feet to as much as 75 miles for a comprehensive water-management solutions program. Our lay-flat hose consists of 8-inch, 10-inch and 12-inch diameter segments. Depending on the requirements of a project, a lay-flat hose may run from a water source directly to a containment area or wellsite or from containment area to containment area. Our customers generally prefer a lay-flat hose to alternative temporary piping options due to the cost-effectiveness, customizability and reduced risk of spills.

- *Well Testing and Flowback.* Our Well Testing and Flowback service line provides highly trained personnel and state-of-the-art equipment and technologies to perform services that include frac support, frac plug drill-out, flowback and well testing. These services add value to the customer by providing initial well productivity data. Our traditional well testing and hydraulic equipment can be deployed in a wide range of operational conditions, such as high and low temperature, high and low pressure, high hydrogen sulfide concentration and high volume. Currently, we own more than 300 equipment spreads to support this broad range of services.
- *Water Containment.* We are the largest provider of high-capacity aboveground water storage tanks (“ASTs”) in North America. We offer ASTs ranging in size from 4,500 to 60,000 barrels per tank, with remote monitoring capability in every major U.S. basin. Our ASTs provide a low-cost containment alternative to frac tanks. ASTs can be set up as part of our Water Treatment and Recycling service offerings which can be bundled with our Water Transfer services. A 40,000 barrel AST can be delivered by three trucks and be installed in half-a-day, replacing the equivalent of eighty 500-barrel frac tanks. Our modular tank design allows for twenty different tank configurations to meet each customer’s individual needs. We can also offer nested tanks for complete secondary containment.
- *Water Monitoring.* Our Water Monitoring services support the full scope of our Water Solutions services and include hydrographic mapping services, remote pit and tank monitoring, generator monitoring, leak detection and automation-equipment services, including transfer pumps, manifolds, proportioning systems and telemetry meter trailers. These services securely track water assets and measure information such as flow rates, temperature, pressure, water qualities such as acidity and salinity, providing real-time data through our customized portals and alert systems which are accessible 24/7 via computer, smart phone or tablet.
- *Water Treatment and Recycling.* Our Water Treatment and Recycling service line works with oil and gas producers to treat water utilized in the drilling, completion and production processes. Additionally, we offer recycling services for the reuse of flowback, produced or otherwise lower-quality water for use or reuse in new well completions. Specifically, we offer water treatment and recycling solutions ranging from basic filtration solutions to the application of chemical disinfection and more advanced technologies, including oil removal, solids removal and the removal of other contaminants. These solutions are offered on a mobile or fixed basis through in-house equipment and expertise, as well as with outside strategic relationships and investments.
- *Fluid Hauling.* Under this service line we transport and store water and various drilling, completion and production fluids, utilizing our fleet of vacuum trucks, winch trucks, hydrovac trucks, and related assets, such as frac tanks. Currently, we own and lease approximately 200 tractors and own approximately 1,100 frac tanks.

- *Fluid Disposal.* We currently operate 16 salt-water disposal (“SWD”) wells with total daily maximum permitted disposal capacity of more than 300,000 bpd. Our active SWD wells are located in the Eagle Ford (5), Haynesville (5), Permian (3), MidCon (2) and Rockies (1) regions. We dispose of both flowback water produced from hydraulic fracturing operations as well as naturally-occurring produced water that is extracted during the oil and natural gas production process. Our volumes are derived from a combination of both owned and third-party gathering pipelines as well as through owned and third-party fluid-hauling trucks.

Geographic Areas of Operation

We offer our Water Solutions services in most of the major unconventional shale plays in the continental U.S., as illustrated by a “✓” in the chart below.

Services Provided	Geographic Region						
	Permian	MidCon	Bakken	Eagle Ford	Marcellus / Utica	Haynesville	Rockies
Water Sourcing	✓	✓	✓	✓	—	✓	✓
Water Transfer	✓	✓	✓	✓	✓	✓	✓
Water Containment	✓	✓	✓	✓	✓	✓	✓
Water Monitoring	✓	✓	✓	✓	✓	✓	✓
Water Treatment and Recycling	✓	✓	—	✓	✓	✓	✓
Well Testing and Flowback	✓	✓	—	✓	✓	✓	✓
Fluid Hauling	✓	✓	✓	✓	—	✓	✓
Frac Tanks	✓	✓	—	✓	—	✓	✓
Fluid Disposal	✓	✓	—	✓	—	✓	✓

Customers

Our Water Solutions customers primarily include major integrated and independent U.S. and international oil and gas producers.

Competition

Our industry is highly competitive. Our customers typically award contracts after a competitive bidding process. Track record, the skill and competency of our people, pricing, safety and environmental performance are key factors in the bid evaluation. Equipment availability, location, and technical specifications can also be significant considerations.

Certain large domestic and international oilfield services companies offer some water-oriented and environmental services, though these are generally ancillary to their core businesses. As a result, the water solutions industry is highly fragmented and our main competitors are typically smaller and often private service providers that focus on water solutions and logistical services across a narrow geographic area or service offering. We seek to differentiate ourselves from our competitors by delivering high-quality services and equipment, coupled with well-trained people and a commitment to superior execution and a safe working environment.

Oilfield Chemicals

Our Oilfield Chemicals segment is operated primarily under our subsidiary, Rockwater LLC. We develop, manufacture and provide a full suite of completion and production chemical products utilized in hydraulic fracturing, stimulation, cementing and related well completion processes. We sell completion chemicals primarily to leading pressure-pumping service companies in the United States. Our production chemicals are used by oil and gas companies to enhance well performance and reduce production costs throughout the life of a well.

Service Lines

Our Oilfield Chemicals segment is divided into the following services lines:

- ***Completion Chemicals.*** Through our Completion Chemicals service line we develop, manufacture and provide a full suite of chemicals utilized in hydraulic fracturing, stimulation and cementing, including polymers that create viscosity, crosslinkers, friction reducers, surfactants, buffers, breakers and other chemical technologies. Our customers are leading pressure-pumping service companies in the United States. Our product lines support the three major types of well completions used in shale oil and gas development today (cross-linked gel frac, linear fracs and slickwater fracs). We can provide 24/7/365 time-critical logistical support to our customers. Our warehousing and service includes inventory management with computerized tracking and monthly reporting. We use automated communications systems combined with direct-to-wellsite delivery to ensure seamless product availability for our customers. With our expertise in frac chemistry, we can develop customized products to meet customers' frac-fluid system requirements. We have two primary manufacturing facilities in Texas, six regional distribution centers, approximately 50 heavy chemical transport trucks and approximately 230 on-site storage and transport trailers.
- ***Production Chemicals.*** In our Production Chemicals service line, we help our customers analyze well performance issues and develop engineered chemical solutions to enhance production and well performance and reduce production costs. We have two primary manufacturing facilities in Texas and one in Oklahoma. We serve the Permian, Eagle Ford, Mid-Continent and Rockies markets and we offer analytical services as well as lab and field support through 23 field locations. Our products include production-enhancing chemicals, ancillary oilfield services including corrosion and scale monitoring, chemical inventory management, well failure analysis, and lab services. In the Permian, our centrally located lab provides complete water and bacteria analysis through the well life cycle beginning with frac water through the production cycle. Our strategy is to provide basin-specific production chemicals solutions to operating companies that lower costs and increase production. Our products help our customers mitigate scaling, corrosion, hydrogen sulfide and paraffin build-up problems. This service line allows us to help our customers manage well performance and costs over the life cycle of a well. We believe our Production Chemicals service line complements our Water Solutions segment by expanding our relationships with key customers and pulling through other services. Our Production Chemicals business works closely with our Completions Chemicals service business, for example, when advising customers on the fluid systems best suited for a particular well when it transitions from completion to production.

Geographic Areas of Operation

We provide Oilfield Chemicals services in most of the major unconventional shale plays in the continental U.S. In the chart below, a “✓” indicates that we offer the service line in the indicated geographic region.

Services Provided	Geographic Region					
	Permian	MidCon	Bakken	Eagle Ford	Haynesville	Rockies
Completion Chemicals	✓	✓	✓	✓	✓	✓
Production Chemicals	✓	✓	—	✓	✓	✓

Customers

Our Oilfield Chemicals customers primarily include pressure pumpers, along with major integrated and independent U.S. and international oil and gas producers.

Competition

The Oilfield Chemicals business is highly competitive. Our competitors include both large manufacturers and companies that are pure distributors of commodities and specialty chemicals. We believe that the principal competitive factors in the markets we serve are technical expertise, manufacturing capacity, workforce competency, efficiency, safety record, reputation, experience and price. Additionally, projects are often awarded on a bid basis, which tends to create a highly competitive environment. We seek to differentiate ourselves from our competitors by delivering high-quality services and solutions, coupled with superior execution and operating efficiency in a safe working environment.

Wellsite Services

Our Wellsite Services segment provides a number of services across the U.S. and Canada and is operated primarily under our subsidiaries Peak, Affirm and Rockwater LLC.

Service Lines

Our Wellsite Services segment is divided into the following service lines:

- *Accommodations and Rentals.* Our accommodations and rentals service line, operating under our subsidiary, Peak, provides workforce accommodations and surface rental equipment supporting drilling, completion and production operations to support U.S. onshore oil and gas activity. The services provided include fully furnished office and living quarters, freshwater supply and wastewater removal, portable power generation and light plants, internet, phone, intercom, surveillance and monitoring services and other long-term rentals supporting field personnel.
- *Wellsite Completion and Construction Services.* Our wellsite completion and construction services service line, operating under our subsidiary, Affirm, supports our Water Solutions segment and provides oil and gas operators and midstream companies with a variety of services, including crane and logistics services, wellsite and pipeline construction and field services. These services are performed to establish, maintain and improve production throughout the productive life of an oil or gas well, or to otherwise facilitate other services performed on a well.
- *Sand Hauling.* Our sand hauling service line, operating under our subsidiary, Rockwater LLC, provides proppant storage, transport, transloading, and sand and proppant supply and transportation logistics through our fleet of trucks and trailers.

[Table of Contents](#)

- *Canada Fluids Logistics.* Our Canadian operations, operating under Rockwater Energy Solutions Canada, Inc., a subsidiary of Rockwater LLC, provide comprehensive fluids logistics through our fleet of tank trucks, vacuum trucks, hydro-vac trucks, hot oilers, winch trucks and pressure trucks. Additionally, we provide water transfer, containment and other rental services throughout Western Canada.

Geographic Areas of Operation

We provide Wellsite Services in most of the major unconventional shale plays in the continental U.S. and in Western Canada. In the chart below, a “✓” indicates that we offer the service line in the indicated geographic region.

Services Provided	Geographic Region							
	Permian	MidCon	Bakken	Eagle Ford	Marcellus / Utica	Haynesville	Rockies	Canada
Accommodations & Rentals	✓	✓	—	✓	✓	—	✓	—
Wellsite Completion & Construction Services	✓	—	—	✓	✓	—	✓	—
Sand Hauling	—	—	✓	—	—	—	—	—
Canada Fluids Logistics	—	—	—	—	—	—	—	✓

Customers

Our Wellsite Services customers include major integrated and independent U.S. and international oil and gas producers, as well as midstream and other oilfield services companies.

Competition

Historically, our competition has varied significantly by service line. The market for accommodations and rentals has been serviced by a relatively fragmented competitor base ranging from small local and privately-owned regional service companies to large private and public companies operating across diverse geographies. Our main competitors in the market for wellsite completion and construction services are typically smaller or mid-sized, and often private, service providers that focus on construction and field services across a narrow geographic area. Our competitors in the market for sand hauling are typically regionally focused smaller or mid-sized service providers. Our primary competitors in our Canadian operations are regionally focused smaller or mid-sized service providers. We seek to differentiate ourselves from our competitors by delivering the highest-quality services and equipment possible, coupled with superior execution and operating efficiency in a safe working environment.

Significant Customer

There were no customers that accounted for 10.0% or more of our consolidated revenues for the year ended December 31, 2018.

Sales and Marketing

We direct our sales activities through a network of sales representatives and business development personnel, which allows us to support our customers at both the corporate and field level of our customers. Our sales representatives work closely with local operations managers to target potential opportunities through strategic focus and regular customer interaction. We track the drilling and completion activities of our current and potential new customers. Our operations managers meet with our sales team several times a week, and monitor sales activity via daily reporting. To support our sales strategy, we have developed a proprietary database that integrates market information such as current rig, frac crew and permit activity and the location of our strategic water sources.

Our marketing activities are performed by an internal marketing group with input from a steering committee. We intend to build a well-recognized brand in the oil and gas industry through multiple media outlets including our website, blog and social media accounts, radio, print and billboard advertisements, and various industry-specific conferences, publications and lectures.

Engineered Water Solutions

Our Engineered Water Solutions team is comprised of professionals with advanced degrees, professional licenses and project development experience, and diverse backgrounds in geology, geography, land management, petroleum, chemical and electrical engineering, computer science, environmental science, geographic information systems and regulatory affairs. We formed this group to develop organic infrastructure projects as well as help customers plan and implement their water-management projects.

Environmental and Occupational Safety and Health Matters

Our water-related and wellsite completion and construction operations in support of oil and gas exploration, development and production activities pursued by our customers are subject to stringent and comprehensive federal, state, provincial and local laws and regulations in the United States and Western Canada governing occupational safety and health, the discharge of materials into the environment and environmental protection. Numerous governmental entities, including the U.S. Environmental Protection Agency (the "EPA") and analogous state agencies, have the power to enforce compliance with these laws and regulations and the permits issued under them, often requiring difficult and costly actions. These laws and regulations may, among other things (i) require the acquisition of permits to take freshwater from surface water and groundwater, construct pipelines or containment facilities, drill wells and other regulated activities; (ii) restrict the types, quantities and concentration of various substances that can be released into the environment or injected into non-producing belowground formations; (iii) limit or prohibit our operations on certain lands lying within wilderness, wetlands and other protected areas; (iv) require remedial measures to mitigate pollution from former and ongoing operations; (v) impose specific safety and health criteria addressing worker protection; and (vi) impose substantial liabilities for pollution resulting from our operations. Any failure to comply with these laws and regulations may result in the assessment of sanctions, including administrative, civil and criminal penalties, the imposition of investigatory, remedial or corrective action obligations or the incurrence of capital expenditures; the occurrence of restrictions, delays or cancellations in the permitting or performance of projects; and the issuance of orders enjoining performance of some or all of our operations in a particular area.

The trend in the United States and Canadian environmental regulation is typically to place more restrictions and limitations on activities that may affect the environment, and thus any new laws and regulations, amendment of existing laws and regulations, reinterpretation of legal requirements or increased governmental enforcement that result in more stringent and costly construction, completion or water management activities, or waste handling, storage transport, disposal, or remediation requirements could have a material adverse effect on our financial position and results of operations. We may be unable to pass on such increased compliance costs to our customers. Moreover, accidental releases or spills may occur in the course of our operations, and we cannot assure you that we will not incur significant costs and liabilities as a result of such releases or spills, including any third-party claims for damage to property, natural resources or persons. Historically, our environmental compliance costs in the United States and in Alberta and British Columbia have not had a material adverse effect on our results of operations; however, there can be no assurance that such costs will not be material in the future or that such future compliance will not have a material adverse effect on our business and operational results. Our customers may also incur increased costs or restrictions, delays or cancellations in permitting or operating activities as a result of more stringent environmental laws and regulations, which may result in a curtailment of exploration, development or production activities that would reduce the demand for our services.

United States Operations

The following is a summary of the more significant existing environmental and occupational safety and health laws, as amended from time to time, to which our operations in the United States are subject and for which compliance may have a material adverse impact on our capital expenditures, results of operations or financial position.

Hazardous substances and wastes. The federal Resource Conservation and Recovery Act (“RCRA”), and comparable state statutes regulate the generation, transportation, treatment, storage, disposal and cleanup of hazardous and non-hazardous wastes. Pursuant to rules issued by the EPA, the individual states administer some or all of the provisions of RCRA, sometimes in conjunction with their own, more stringent requirements. Drilling fluids, produced waters, and most of the other wastes associated with the exploration, development, and production of oil or gas, if properly handled, are currently exempt from regulation as hazardous waste under RCRA, and instead are regulated under RCRA’s less stringent non-hazardous waste provisions, state laws or other federal laws. However, it is possible that certain oil and gas drilling and production wastes now classified as non-hazardous could be classified as hazardous wastes in the future. For example, pursuant to a consent decree issued by the U.S. District Court for the District of Columbia in 2016, the EPA is required to propose no later than March 15, 2019, a rulemaking for revision of certain Subtitle D criteria regulations that could result in oil and gas exploration and production wastes being regulated as hazardous wastes, or sign a determination that revision of the regulations is unnecessary. If the EPA proposes a rulemaking for revised oil and gas waste regulations, the consent decree requires that the EPA take final action following notice and comment rulemaking no later than July 15, 2021. A loss of the RCRA exclusion for drilling fluids, produced waters and related wastes could result in an increase in our and our oil and gas producing customers’ costs to manage and dispose of generated wastes, which could have a material adverse effect on our and our customers’ results of operations and financial position. In the course of our operations, we generate some amounts of ordinary industrial wastes, such as paint wastes, waste solvents and waste oils that may be regulated as hazardous wastes.

Wastes containing naturally occurring radioactive materials (“NORM”) may also be generated in connection with our operations. Certain processes used to produce oil and gas may enhance the radioactivity of NORM, which may be present in oilfield wastes. NORM is subject primarily to individual state radiation control regulations. In addition, NORM handling and management activities are governed by regulations promulgated by the U.S. Occupational Safety and Health Administration (“OSHA”). These state and OSHA regulations impose certain requirements concerning worker protection, the treatment, storage and disposal of NORM waste, the management of waste piles, containers and tanks containing NORM, as well as restrictions on the uses of land with NORM contamination.

The federal Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), also known as the Superfund law, and comparable state laws impose liability, without regard to fault or legality of conduct, on classes of persons considered to be responsible for the release of a “hazardous substance” into the environment. These persons include the current and past owner or operator of the site where the hazardous substance release occurred and anyone who disposed or arranged for the disposal of a hazardous substance released at the site. Under CERCLA, such persons may be subject to joint and several, strict liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. CERCLA also authorizes the EPA and, in some instances, third parties to act in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. In addition, neighboring landowners and other third parties may file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. We generate materials in the course of our operations that may be regulated as hazardous substances.

We currently own, lease, or operate numerous properties that have been used for activities supporting oil and gas exploration, development and production for a number of years. Although we believe that we have utilized operating and waste disposal practices that were standard in the industry at the time, hazardous substances, wastes, or petroleum hydrocarbons may have been released on, under or from the properties owned or leased by us, or on, under or from other locations, including off-site locations, where we conduct services for our customers or where such substances have been taken for treatment or disposal. In addition, some of our properties have been operated by third parties or by previous owners or operators whose treatment and disposal of hazardous substances, wastes, or petroleum hydrocarbons was not under our control. These properties and the substances disposed or released on, under or from them may be subject to CERCLA, RCRA and analogous state laws. Under such laws, we could be required to undertake response actions or corrective measures, which could include removal of previously disposed substances and wastes, cleanup of contaminated property or performance of remedial operations to prevent future contamination, the costs of which could be material.

Water discharges and use. The Federal Water Pollution Control Act, also known as the Clean Water Act (“CWA”), and analogous state laws, impose restrictions and strict controls with respect to the discharge of pollutants, including spills and leaks of oil and hazardous substances, into state waters and waters of the United States. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by the EPA or an analogous state agency. Spill prevention, control and countermeasure plan requirements imposed under the CWA require appropriate containment berms and similar structures to help prevent the contamination of navigable waters in the event of a petroleum hydrocarbon tank spill, rupture or leak. In addition, the CWA and analogous state laws require individual permits or coverage under general permits for discharges of stormwater runoff from certain types of facilities.

The CWA also prohibits the discharge of dredge and fill material in regulated waters, including wetlands, unless authorized by permit. In June 2015, the EPA and the U.S. Army Corps of Engineers (the “Corps”) published a final rule attempting to clarify the federal jurisdictional reach over waters of the United States, but legal challenges to this rule followed. Beginning in the first quarter of 2017, the EPA and the Corps agreed to reconsider the 2015 rule and, thereafter, the agencies have (i) published a proposed rule in July 2017 to rescind the 2015 rule and recodify the regulatory text that governed waters of the United States prior to promulgation of the 2015 rule, (ii) published a final rule in February 2018 adding a February 6, 2020 applicable date to the 2015 rule, and (iii) published a proposed rule in December 2018 re-defining the Clean Water Act’s jurisdiction over waters of the United States for which the agencies will seek public comment. The 2015 and February 2018 final rules are being challenged by various factions in federal district court and implementation of the 2015 rule has been enjoined in twenty-eight states pending resolution of the various federal district court challenges. As a result of these legal developments, future implementation of the 2015 rule is uncertain at this time. To the extent that the 2015 rule or a revised rule expands the scope of the CWA’s jurisdiction, we or our customers could face increased costs and delays or cancellations with respect to obtaining permits for dredge and fill activities in wetland areas in connection with any expansion activities. Federal and state regulatory agencies can impose administrative, civil and criminal penalties for non-compliance with discharge permits or other requirements of the CWA and analogous state laws and regulations.

The Oil Pollution Act of 1990 (“OPA”) amends the CWA and sets minimum standards for prevention, containment and cleanup of oil spills in waters of the United States. The OPA applies to vessels, offshore facilities, and onshore facilities, including E&P facilities that may affect waters of the United States. Under OPA, responsible parties including owners and operators of onshore facilities may be held strictly liable for oil cleanup costs and natural resource damages as well as a variety of public and private damages that may result from oil spills. In 2018, the Bureau of Ocean Energy Management raised OPA’s damages liability cap to \$137.7 million; however, a party cannot take advantage of liability limits if the spill was caused by gross negligence or willful misconduct, resulted from violation of a federal safety, construction or operating regulation, or if the party failed to report a spill or cooperate fully in the cleanup. The OPA also requires owners or operators of certain onshore facilities to prepare Facility Response Plans for responding to a worst-case discharge of oil into waters of the United States.

Saltwater disposal wells and induced seismicity. Saltwater disposal via underground injection is regulated pursuant to the Underground Injection Control (“UIC”) program established under the federal Safe Drinking Water Act (the “SDWA”) and analogous state and local laws and regulations. The UIC program includes requirements for permitting, testing, monitoring, recordkeeping and reporting of injection well activities, as well as a prohibition against the migration of fluid containing any contaminant into underground sources of drinking water. State regulations require a permit from the applicable regulatory agencies to operate underground injection wells. Although we monitor the injection process of our wells, any leakage from the subsurface portions of the injection wells could cause degradation of fresh groundwater resources, potentially resulting in suspension of our UIC permit, issuance of fines and penalties from governmental agencies, incurrence of expenditures for remediation of the affected resource and imposition of liability by third-parties claiming damages for alternative water supplies, property and personal injuries. A change in UIC disposal well regulations or the inability to obtain permits for new disposal wells in the future may affect our ability to dispose of produced waters and other substances, which could affect our business.

Furthermore, in response to recent seismic events near underground disposal wells used for the disposal by injection of produced water resulting from oil and gas activities, federal and some state agencies are investigating whether such wells have caused increased seismic activity, and some states have restricted, suspended or shut down the

use of such disposal wells. In response to these concerns, regulators in some states have imposed, or are considering imposing, additional requirements in the permitting of produced water disposal wells or otherwise to assess any relationship between seismicity and the use of such wells. For example, Oklahoma has issued rules for wastewater disposal wells that impose certain permitting and operating restrictions and reporting requirements on disposal wells in proximity to faults and also, from time to time, has developed and implemented plans directing certain wells where seismic incidents have occurred to restrict or suspend disposal well operations. The Texas Railroad Commission adopted similar rules. In late 2016, the Oklahoma Corporation Commission's Oil and Gas Conservation Division and the Oklahoma Geological Survey released well completion seismicity guidance, which requires operators to take certain prescriptive actions, including an operator's planned mitigation practices, following certain unusual seismic activity within 1.25 miles of hydraulic fracturing operations. In addition, the Oklahoma Corporation Commission's Oil and Gas Conservation Division has, from time to time, issued orders, including during 2018, limiting future increases in the volume of oil and gas wastewater injected below ground into the Arbuckle formation in an effort to reduce the number of earthquakes in the state. An additional consequence of this seismic activity is lawsuits alleging that disposal well operations have caused damage to neighboring properties or otherwise violated state and federal rules regulating waste disposal. The adoption and implementation of any new laws, regulations or directives that restrict our ability to dispose of wastewater gathered from our customers by limiting volumes, disposal rates, disposal well locations or otherwise, or requiring us to shut down disposal wells, could have a material adverse effect on our business, financial condition, and results of operations.

Hydraulic fracturing activities. Hydraulic fracturing involves the injection of water, sand or other proppants and chemical additives under pressure into targeted geological formations to fracture the surrounding rock and stimulate production. Hydraulic fracturing is an important and common practice that is typically regulated by state oil and natural gas commissions or similar agencies. However, the practice continues to be controversial in certain parts of the country, resulting in increased scrutiny and regulation of the fracturing process, including by federal agencies, several of which have asserted regulatory authority or pursued investigations over certain aspects of the hydraulic fracturing process. For example, the EPA has asserted regulatory authority pursuant to the SDWA Underground Injection Control program over hydraulic fracturing activities involving the use of diesel and issued guidance covering such activities, as well as published an Advanced Notice of Proposed Rulemaking regarding Toxic Substances Control Act ("TSCA") reporting of the chemical substances and mixtures used in hydraulic fracturing.

Additionally, in 2016, the EPA published an effluent limit guideline final rule prohibiting the discharge of wastewater from onshore unconventional oil and gas extraction facilities to publicly owned wastewater treatment plants. Also, the Bureau of Land Management ("BLM") published a final rule in 2015 that established new or more stringent standards relating to hydraulic fracturing on federal and American Indian lands, but the BLM rescinded the 2015 rule in late 2017; however, litigation challenging the BLM's decision to rescind the 2015 rule is pending in federal district court. Also, in late 2016, the EPA released its final report on the potential impacts of hydraulic fracturing on drinking water resources, concluding that "water cycle" activities associated with hydraulic fracturing may impact drinking water resources under some circumstances.

Legislation has been introduced, from time to time, but not enacted, in the U.S. Congress to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the fracturing process.

Moreover, some states and local governments have adopted, and other governmental entities are considering adopting, regulations that could impose more stringent permitting, disclosure and well-construction requirements on hydraulic fracturing operations, including states where we or our customers operate. For example, Texas, Oklahoma, California, Ohio, Pennsylvania and North Dakota, among others, have adopted regulations that impose stringent permitting, disclosure, disposal and well-construction requirements on hydraulic fracturing operations. States could also elect to prohibit high volume hydraulic fracturing altogether, following the approach taken by the State of New York. In addition to state laws, local land use restrictions, such as city ordinances, may restrict drilling in general and/or hydraulic fracturing in particular, as certain local governments in California have done. Other states, such as Texas, Oklahoma and Ohio have taken steps to limit the authority of local governments to regulate oil and gas development.

In the event that new federal, state or local restrictions on the hydraulic fracturing process are adopted in areas where we or our customers conduct business, we or our customers may incur additional costs or permitting requirements to comply with such requirements that may be significant in nature and our customers could experience added restrictions, delays or cancellations in their exploration, development, or production activities, which would in turn reduce the demand for our services and have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

Air Emissions. The U.S. Clean Air Act (“CAA”) and comparable state laws restrict the emission of air pollutants from many sources through air emissions standards, construction and operating permit programs and the imposition of other compliance standards. These laws and regulations may require us to obtain pre-approval for the construction or modification of certain projects or facilities expected to produce or significantly increase air emissions, obtain and strictly comply with stringent air permit requirements or utilize specific equipment or technologies to control emissions of certain pollutants. The need to obtain permits has the potential to delay our projects as well as our customers’ development of oil and gas projects. Over the next several years, we or our customers may incur certain capital expenditures for air pollution control equipment or other air emissions-related issues. For example, in 2015, the EPA issued a final rule under the CAA, lowering the National Ambient Air Quality Standard (“NAAQS”) for ground-level ozone from the current standard of 75 parts per million to 70 parts per million under both the primary and secondary standards to provide requisite protection of public health and welfare, respectively. In 2017 and 2018, the EPA issued area designations with respect to ground-level ozone as either “attainment/unclassifiable,” “unclassifiable” or “non-attainment.” Additionally, in November 2018, the EPA issued final requirements that apply to state, local, and tribal air agencies for implementing the 2015 NAAQS for ground-level ozone. State implementation of the revised NAAQS could also result in the imposition of more stringent requirements. Compliance with the NAAQS requirements or other air pollution control and permitting requirements has the potential to delay the development of oil and gas projects and increase our or our customers’ costs of development and production, which costs could reduce demand for our services and have a material adverse impact on our business and results of operations.

Climate Change. In response to findings that emissions of carbon dioxide, methane and other greenhouse gases (“GHGs”) present an endangerment to public health and the environment, the EPA has adopted regulations under existing provisions of the CAA that, among other things, establish Prevention of Significant Deterioration (“PSD”) construction and Title V operating permit reviews for certain large stationary sources that emit certain principal, or “criteria,” pollutants. Facilities required to obtain PSD permits for their GHG emissions also will be required to meet “best available control technology” standards. In addition, the EPA has adopted rules requiring the monitoring and annual reporting of GHG emissions from oil and gas production, processing, transmission and storage facilities in the United States.

Congress has from time to time considered legislation to reduce emissions of GHGs but there has not been significant activity in the form of adopted legislation to reduce GHG emissions at the federal level in recent years. In the absence of such federal climate legislation, a number of state and regional efforts have emerged that are aimed at tracking and/or reducing GHG emissions through the completion of GHG emissions inventories and by means of cap and trade programs that typically require major sources of GHG emissions to acquire and surrender emission allowances in return for emitting those GHGs. The EPA has also developed strategies for the reduction of methane emissions, including emissions from the oil and gas industry. For example, in 2016, the EPA published New Source Performance Standards (“NSPS”) Subpart OOOOa requirements to reduce methane and volatile organic compound emissions from certain new, modified and reconstructed equipment and processes in the oil and gas source category, including production, processing, transmission and storage activities. These Subpart OOOOa standards expand previously issued NSPS published by the EPA in 2012, and known as Subpart OOOO, by using certain equipment-specific emissions control practices. However, in 2017, the EPA published a proposed rule to stay certain portions of the 2016 standards for two years but the EPA has not yet published a final rule. Rather, in February 2018, the EPA finalized amendments to certain requirements of the 2016 final rule and, in September 2018, the agency proposed additional amendments that included rescission or revision of certain requirements such as fugitive emission monitoring frequency. Furthermore, in 2016, the BLM published a final rule to reduce methane emissions by regulating venting, flaring and leaking from oil and gas operations on public lands. Furthermore, in 2017, the BLM published a final rule that established, among other things, requirements to reduce methane emissions arising by regulating venting, flaring and leakage from oil and gas production activities on onshore federal and American Indian lands. However, in September 2018, the BLM published a final rule that rescinds most of the requirements in the 2016 final rule and codifies the BLM’s prior approach to venting

and flaring. The rescission of the requirements in the 2016 final rule is being challenged in federal court. These rules, should they remain in effect, and any other new methane emission standards imposed on the oil and natural gas sector could result in increased costs to our or our customers' operations as well as result in restrictions, delays or cancellations in such operations, which developments could adversely affect our business.

Additionally, in April 2016, the United States joined other countries in entering into a United Nations-sponsored non-binding agreement ("Paris Agreement") negotiated in Paris, France that proposed an agreement, requiring member countries to review and "represent a progression" in their intended nationally determined contributions, which set GHG emission reduction goals every five years beginning in 2020. However, in August 2017, the U.S. Department of State officially informed the United Nations of the intent of the United States to withdraw from the Paris Agreement. The Paris Agreement provides for a four-year exit process beginning when it took effect in November 2016, which would result in an effective exit date of November 2020. The United States' adherence to the exit process and/or the terms on which the United States may re-enter the Paris Agreement or a separately negotiated agreement are unclear at this time.

Although it is not possible at this time to predict how new laws or regulations in the United States or any legal requirements imposed by the Paris Agreement on the United States, should it not withdraw from the agreement, that may be adopted or issued to address GHG emissions would impact our business, any such future laws, regulations or other legal requirements imposing reporting or permitting obligations on, or limiting emissions of GHGs from, our or our customers' equipment and operations could require us or our customers to incur costs to reduce emissions of GHGs associated with operations as well as result in delays or restrictions in the ability to permit GHG emissions from new or modified sources. In addition, substantial limitations on GHG emissions could adversely affect demand for the oil and gas our customers produce, which could reduce demand for our services. Notwithstanding potential risks related to climate change, the International Energy Agency estimates that oil and gas will continue to represent a major share of global energy use through 2040, and other private sector studies project continued growth in demand for the next two decades. However, recent activism directed at shifting funding away from companies with energy-related assets could result in limitations or restrictions on certain sources of funding for the energy sector. Finally, it should be noted that increasing concentrations of GHGs in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, floods, droughts and other climatic events. If any such effects were to occur, they could have an adverse effect on our and our customers' operations.

Endangered Species. The federal Endangered Species Act (the "ESA") restricts activities that may affect endangered or threatened species or their habitats. Similar protections are offered to migratory birds under the federal Migratory Bird Treaty Act (the "MBTA"). To the degree that species listed under the ESA or similar state laws, or are protected under the MBTA, live in the areas where we or our oil and gas producing customers operate, our and our customers' abilities to conduct or expand operations and construct facilities could be limited or be forced to incur material additional costs. Moreover, our customers' drilling activities may be delayed, restricted, or cancelled in protected habitat areas or during certain seasons, such as breeding and nesting seasons. Some of our operations and the operations of our customers are located in areas that are designated as habitats for protected species. In addition, as a result of one or more settlements entered into by the U.S. Fish & Wildlife Service (the "FWS"), the agency is required to make a determination on the listing of numerous other species as endangered or threatened under the ESA pursuant to specific timelines. The designation of previously unidentified endangered or threatened species could indirectly cause us to incur additional costs, cause our or our oil and gas producing customers' operations to become subject to operating restrictions or bans and limit future development activity in affected areas. The FWS and similar state agencies may designate critical or suitable habitat areas that they believe are necessary for the survival of threatened or endangered species. Such a designation could materially restrict use of or access to federal, state, and private lands.

Chemical Safety. We are subject to a wide array of laws and regulations governing chemicals, including the regulation of chemical substances and inventories, such as TSCA in the United States and the Canadian Environmental Protection Act in Canada. These laws and regulations change frequently and have the potential to limit or ban altogether the types of chemicals we may use in our products, as well as result in increased costs related to testing, storing, and transporting our products prior to providing them to our customers. For example, in 2016, President Obama signed into law the Frank R. Lautenberg Chemical Safety for the 21st Century Act (the "Lautenberg Act"), which substantially revised TSCA. Amongst other items, the Lautenberg Act eliminated the cost-benefit approach to analyzing chemical

safety concerns with a health-based safety standard and requires all chemicals in commerce, including those “grandfathered” under TSCA, to undergo a safety review. The Lautenberg Act also requires safety findings before a new chemical can enter the market. Although it is not possible at this time to predict how EPA will implement and interpret the new provisions of the Lautenberg Act, or how legislation or new regulations that may be adopted pursuant to these regulatory and legislative efforts would impact our business, any new restrictions on the development of new products, increases in regulation, or disclosure of confidential, competitive information could have an adverse effect on our operations and our cost of doing business.

Furthermore, governmental, regulatory and societal demands for increasing levels of product safety and environmental protection could result in increased pressure for more stringent regulatory control with respect to the chemical industry. These concerns could influence public perceptions regarding our products and operations, the viability of certain products, our reputation, the cost to comply with regulations, and the ability to attract and retain employees. Moreover, changes in environmental, health and safety regulations could inhibit or interrupt our operations, or require us to modify our facilities or operations. Accordingly, environmental or regulatory matters may cause us to incur significant unanticipated losses, costs or liabilities, which could reduce our profitability.

Occupational Safety and Health and other legal requirements. We are subject to the requirements of the Federal Occupational Safety and Health Act and comparable state statutes whose purpose is to protect the health and safety of workers. In addition, the OSHA’s hazard communication standard, the EPA’s Emergency Planning and Community Right-to-Know Act and comparable state regulations and any implementing regulations require that we organize and/or disclose information about hazardous materials used or produced in our United States operations and that this information be provided to employees, state and local governmental authorities and citizens. We have an internal program of inspection designed to monitor and enforce compliance with worker safety requirements.

In addition, as part of the services we provide, we operate as a motor carrier and therefore are subject to regulation by the U.S. Department of Transportation (“U.S. DOT”) and analogous state agencies. These regulatory authorities exercise broad powers, governing activities such as the authorization to engage in motor carrier operations, regulatory safety, and hazardous materials labeling, placarding and marking. There are additional regulations specifically relating to the trucking industry, including testing and specification of equipment and product handling requirements. The trucking industry is subject to possible regulatory and legislative changes that may affect the economics of the industry by requiring changes in operating practices or by changing the demand for common or contract carrier services or the cost of providing truckload services. From time to time, various legislative proposals are introduced, including proposals to increase federal, state or local taxes on motor fuels, among other things, which may increase our costs or adversely impact the recruitment of drivers. We cannot predict whether, or in what form, any increase in such taxes applicable to us will be enacted.

Western Canadian Operations

Environmental regulation in Canada, including the Western Canadian provinces of Alberta and British Columbia, is carried out at both the federal and provincial levels. Unless the exploration and production of hydrocarbon resources is occurring on federal lands, such as lands held by First Nations, national parks, national defense lands or offshore, the main oversight over the extraction of natural resources falls within provincial jurisdiction. However, the federal government has shared oversight over assessing whether substances are toxic to both humans and the environment and the control of the use of such substances pursuant to the Canadian Environmental Protection Act. In addition, the Transportation of Dangerous Goods Act, administered by Transport Canada, regulates road, rail, air and marine transportation of fracturing fluids, produced water, fracturing fluid waste and flowback. The following is a summary of the more significant environmental regulations in Alberta and British Columbia, Canada, as amended from time to time, to which our operations in Canada are subject and for which compliance may have a material adverse impact on our capital expenditures, results of operations or financial position.

Hydraulic fracturing activities. Operations related to water, stimulation, and fracturing fluids in support of oil and gas exploration, development and production are subject to provincial environmental regulations. Currently, our operations occur in the western provinces of Alberta and British Columbia. In Alberta, the Alberta Energy Regulator (“AER”) has jurisdiction over the Environmental Protection and Enhancement Act, and associated regulations and

Directives, as well as parts of the Water Act, relating to the extraction of hydrocarbons. In particular, the AER has regulatory directives relating to groundwater protection, wellbore integrity, noise and light impacts, air quality and induced seismicity. The AER's Directives require licensees conducting hydraulic fracturing to report amounts and sources of water and chemicals used in each job. The type and volume of all additives used in fracturing fluids must also be submitted to the AER. Licensees in Alberta are also subject to stringent storage and drilling waste management requirements. Companies who own and operate permanent facilities are subject to additional regulations.

In British Columbia, the British Columbia Oil and Gas Commission (the "BCOGC") is the provincial regulatory body responsible for overseeing oil and gas operations. British Columbia has developed an approach similar to that used in Alberta in administering the provisions of wide-ranging acts and regulations which include the regulation of the exploration, development, transportation and reclamation of oil and gas activities. The regulation of hydraulic fracturing in British Columbia is conducted under numerous provincial acts and technical regulations. The BCOGC administers British Columbia's main legislative framework relating to oil and gas, the Oil and Gas Activities Act, and its associated regulations which regulate public safety and environmental protection related to hydraulic fracturing, such as the Drilling and Production Regulation and the Environmental Protection and Management Regulation. Further, other specific provisions of the Water Act, the Petroleum and Natural Gas Act, the Heritage Conservation Act, the Land Act and the Environmental Management Act also regulate elements of hydraulic fracturing. Fracture Fluid Reports are required to be submitted and are publicly searchable online. Chemical disclosure including trade name, supplier, purpose, ingredients and volume of water with injected ingredients must be submitted to an online database.

Water usage. Besides the AER, the other major legislative and regulatory requirements in Alberta related to our operations in Western Canada fall under the administration of the Alberta Environment and Parks ministry. Environment and Parks oversee parts of the Water Act and the Water Conservation and Allocation Policy for Oilfield Injection for long-term water injection projects for the recovery of oil, requiring industry to seek deep saline groundwater and technological alternatives to minimize the use of freshwater. While this policy is applicable to conventional water flooding and oil sands in-situ operations, expanding the policy to apply water conservation principles to subsectors of the upstream oil and gas industry, including hydraulic fracturing, has been proposed. In British Columbia, the Water Sustainability Act came into effect in 2016 and has resulted in changes to surface water and groundwater allocation, requiring authorizations to be obtained to use groundwater for anything other than domestic use. The BCOGC has strengthened its regulations relating to induced seismicity due to hydraulic fracturing and continues to conduct monitoring and research in order to adequately respond and mitigate this issue.

Induced seismicity. Due to increased seismicity believed to be associated with hydraulic fracturing, in 2015 the AER released new guidelines requiring new seismic monitoring and reporting requirements for hydraulic fracturing. The BCOGC has completed reports on seismic events related to hydraulic fracturing and has imposed mitigation measures, including regulations to shut down industry operations if seismic activity reaches a certain threshold.

Protected Species. In Canada, the Migratory Birds Convention Act ("MBCA") prohibits the release of substances that can harm migratory birds in waters used by them and gives the federal government the authority to develop regulations to protect migratory birds, and their habitats, including nests. Oil and gas development projects must comply with provisions of the MBCA, as well as the federal Species at Risk Act. Alberta and British Columbia each have a provincial Wildlife Act, which imposes restrictions to prevent wildlife species from disappearing that could impact oil and gas operations and reduce demand for our services.

Climate change. In June 2018, a federal act, the Greenhouse Gas Pollution Pricing Act, went into effect. In 2018, Canadian Prime Minister Trudeau announced that pursuant to this act, Canada will implement a revenue neutral carbon tax, commencing in 2019. The federal carbon tax will be assessed on each tonne of emissions from fossil fuels. Additionally, the federal carbon pollution price will start at C\$20 per tonne in 2019, rising at C\$10 per tonne per year until reaching C\$50 per tonne in 2022, after which the price will remain constant. Under the act, provinces that already implement a carbon tax that is at least as stringent as the federal carbon tax will be in compliance with the act and will not have to collect an additional federal tax.

Alberta and British Columbia already have carbon tax programs in effect, and other provincial governments have either proposed or instituted a carbon tax in response to the global push to combat climate change. The carbon tax program in British Columbia has been in place since 2008 and, beginning on April 1, 2018, the carbon tax rate was C\$35

per tonne of carbon dioxide equivalent, the price increasing by C\$5 each year until it reaches C\$50 per tonne of emissions in 2021. As of January 1, 2018, Alberta has a provincial carbon tax of C\$30 per tonne, rising to C\$40 per tonne in 2021 and C\$50 per tonne in 2022. These carbon taxes are expected to have a significant impact on energy-intensive businesses.

The Government of Alberta also announced in 2015 that under its Climate Leadership Plan, the province will have zero emissions from coal-fired electricity by 2030. As approximately half of Alberta's electricity is being produced from coal-fired generators, natural gas-fired electricity is expected to increase significantly to fill this gap. Oil and gas producers will be required to reduce methane emissions associated with their facilities by 45% by 2025 and a cap of 100 megatonnes per year of carbon emissions from oil sands production has been imposed. The federal government also announced that it intends to virtually eliminate the use of coal-fired electricity by 2030, which currently accounts for less than 20% of Canada's electricity capacity.

Seasonality

Our results of operations have historically reflected seasonal tendencies, typically in the fourth quarter, relating to holiday seasons, inclement winter weather and the conclusion of our customers' annual drilling and completions capital expenditure budgets during which we typically experience declines in our operating results. In a stable commodity price and operations environment, we often see notable declines in November and December for the reasons described above.

Intellectual Property

Protection of our products and processes is important to our businesses. We own numerous patents and, where appropriate, we file patent applications for new products and technologies. For example, we use our AquaView® technology to quantify volumes and flow rates to verify current and potential water availability and volumes when analyzing a new water source. We also currently own six U.S. patents relating to completions technology including borate cross-linkers, slurry monitoring systems and others. We also have a robust program to seek patents on new developments. We are currently seeking patents on seven new technologies, including a proprietary water analytics and automation tool, as well as creating fracturing fluids with produced water, evaporation methodologies, cross-linker/breaker mechanisms and liquid distribution metering systems. We hold numerous patents and, while a presumption of validity exists with respect to issued U.S. patents, we cannot assure that any of our patents will not be challenged, invalidated, circumvented or rendered unenforceable. Furthermore, we cannot assure the issuance of any pending patent application, or that if patents do issue, that these patents will provide meaningful protection against competitors or against competitive technologies. Additionally, our competitors or other third parties may obtain patents that restrict or preclude our ability to lawfully produce or sell our products in a competitive manner.

We also rely upon continuing technological innovation and trade secrets to develop and maintain our competitive position. There can be no assurance, however, that confidentiality and other agreements into which we enter and have entered will not be breached, that these agreements will provide meaningful protection for our trade secrets or proprietary know-how, or that adequate remedies will be available in the event of an unauthorized use or disclosure of such trade secrets and know-how. In addition, there can be no assurance that others will not obtain knowledge of these trade secrets through independent development or other access by legal means.

We also own a number of trademarks, which we use in connection with our businesses. In addition to protections through federal registration, we also rely on state common law protections to protect our brand. There can be no assurance that the trademark registrations will provide meaningful protection against the use of similar trademarks by competitors, or that the value of our trademarks will not be diluted.

Because of the breadth and nature of our intellectual property rights and our business, we do not believe that any single intellectual property right (other than certain trademarks for which we intend to maintain the applicable registrations) is material to our business. Moreover, we do not believe that the termination of intellectual property rights expected to occur over the next several years, either individually or in the aggregate, will materially adversely affect our business, financial condition or results of operations.

Risk Management and Insurance

Our operations are subject to hazards inherent in the oil and gas industry, including accidents, blowouts, explosions, craterings, fires, oil spills and hazardous materials spills. These conditions can cause:

- personal injury or loss of life;
- damage to, or destruction of property, the environment and wildlife; and
- the suspension of our or our customers' operations.

In addition, claims for loss of oil and gas production and damage to formations can occur in the well services industry. If a serious accident were to occur at a location where our equipment and services are being used, it could result in us being named as a defendant in lawsuits asserting large claims.

Because our business involves the transportation of heavy equipment and materials, we may also experience traffic accidents which may result in spills, property damage and personal injury.

Despite our efforts to maintain high safety standards, from time to time, we have suffered accidents, and there is a risk that we will experience accidents in the future. In addition to the property and personal losses from these accidents, the frequency and severity of these incidents affect our operating costs and insurability, and our relationship with customers, employees and regulatory agencies. In particular, in recent years many of our large customers have placed an increased emphasis on the safety records of their service providers. Any significant increase in the frequency or severity of these incidents, or the general level of compensatory payments, could adversely affect the cost of, or our ability to obtain, workers' compensation and other forms of insurance, and could have other material adverse effects on our financial condition and results of operations.

We maintain insurance coverage of types and amounts that we believe to be customary in the industry including workers' compensation, employer's liability, sudden & accidental pollution, umbrella, comprehensive commercial general liability, business automobile and property and equipment physical damage insurance. Our insurance coverage may be inadequate to cover our liabilities. In addition, we may not be able to maintain adequate insurance in the future at rates we consider reasonable and commercially justifiable or on terms as favorable as our current arrangements.

We enter into master service agreements ("MSAs") with each of our customers. Our MSAs delineate our and our customer's respective indemnification obligations with respect to the services we provide. Generally, under our MSAs, including those relating to our Water Solutions and related services, Oilfield Chemical product sales, accommodations and rentals and completion and construction services, we assume responsibility for pollution or contamination originating above the surface from our equipment or handling of the equipment of others. However, our customers generally assume responsibility for all other pollution or contamination that may occur during operations, including that which may generally result from seepage or any other uncontrolled flow of drilling fluids. The assumed responsibilities include the control, removal and clean-up of any pollution or contamination. In such cases, we may be exposed to additional liability if we are grossly negligent or commit willful acts causing the pollution or contamination. Generally, our customers also agree to indemnify us against claims arising from the personal injury or death of the customers' employees or those of the customers' other contractors, in the case of our hydraulic fracturing operations, to the extent that such employees are injured by such operations, unless the loss is a result of our gross negligence or willful misconduct. Similarly, we generally agree to indemnify our customers for liabilities arising from personal injury to or death of any of our employees or employees of any of our subcontractors, unless resulting from the gross negligence or willful misconduct of our customer. The same principals apply to mutual indemnification for loss or destruction of customer-owned property or equipment, except such indemnification is not limited in an instance of gross negligence or willful misconduct. Losses arising from catastrophic events, such as blowouts, are generally the responsibility of the customer. However, despite this general allocation of risk, we may be unsuccessful in enforcing contractual terms, incur an unforeseen liability that is not addressed by the scope of the contractual provisions or be required to enter into an MSA with terms that vary from our standard allocations of risk, as described above.

Consequently, we may incur substantial losses that could materially and adversely affect our financial condition and results of operations.

Employees

As of December 31, 2018, we had approximately 5,300 employees and no unionized labor. We believe we have good relations with our employees.

Available Information

We file or furnish annual, quarterly and current reports and other documents with the SEC under the Exchange Act. The SEC also maintains an internet website at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers, including us, that file electronically with the SEC.

We also make available free of charge through our website, www.selectenergyservices.com, electronic copies of certain documents that we file with the SEC, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information on our website is not a part of this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

The following risks could affect our financial performance or could cause actual results to differ materially from estimates contained in our forward-looking statements. We may encounter risks in addition to those described below. Additional risks and uncertainties not currently known to us, or that we currently deem to be immaterial, may also impair or adversely affect our business, results of operation, financial condition and prospects.

Risks Related to Our Business

Our business depends on capital spending by the oil and gas industry in the United States and Western Canada, and reductions in capital spending could have a material adverse effect on our liquidity, results of operations and financial condition.

Our business is directly affected by our customers' capital spending to explore for, develop and produce oil and gas in the United States and Canada. The significant decline in oil and gas prices that began in the fourth quarter of 2014 caused a reduction in the exploration, development and production activities of most of our customers and their spending on our services in 2015 and 2016, as well as a reduction in the rates we charged and the utilization of our assets. In 2017 and through the third quarter of 2018, our clients steadily increased their spending as compared to 2016 levels, however, in the fourth quarter of 2018, we experienced a pullback in spending by our customers, driven by a decline in oil prices and seasonal factors. If oil and gas prices further decline, our customers may cancel or curtail their spending on our services. Reduced completion rates of new oil and gas production in our market areas as a result of decreased capital spending may also have a negative long-term impact on our business, even in an environment of stronger oil and gas prices, to the extent the reduced number of wells for us to service more than offsets increasing completion activity and intensity. Any of these conditions or events could adversely affect our operating results. If a recovery does not materialize and our customers fail to increase their capital spending, it could have a material adverse effect on our liquidity, results of operations and financial condition.

Industry conditions are influenced by numerous factors over which we have no control, including:

- domestic and foreign economic conditions and supply of and demand for oil and gas;
- the level of prices, and expectations regarding future prices, of oil and gas;
- the level of global oil and gas exploration and production;

- governmental regulations, including the policies of governments regarding the exploration for and production and development of their oil and gas reserves;
- taxation and royalty charges;
- political and economic conditions in oil and gas producing countries;
- actions by the members of the Organization of Petroleum Exporting Countries and partners with respect to oil production levels and announcements of potential changes in such levels;
- global weather conditions and natural disasters;
- worldwide political, military and economic conditions;
- the cost of producing and delivering oil and gas;
- the discovery rates of new oil and gas reserves;
- activities by non-governmental organizations to limit certain sources of funding for the energy sector or restrict the exploration, development and production of oil and gas;
- the ability of oil and gas producers to access capital;
- technical advances affecting energy consumption; and
- the potential acceleration of the development of alternative fuels.

If oil prices or gas prices were to decline, the demand for our services could be adversely affected.

The demand for our services is primarily determined by current and anticipated oil and gas prices and the related levels of capital spending and drilling activity in the areas in which we have operations. Volatility or weakness in oil prices or gas prices (or the perception that oil prices or gas prices will decrease) affects the spending patterns of our customers and may result in the drilling or completion of fewer new wells or lower production spending on existing wells. This, in turn, could lead to lower demand for our services and may cause lower rates and lower utilization of our assets. If oil prices or gas prices decline, or if completions activity is reduced, the demand for our services and our results of operations could be materially and adversely affected.

Prices for oil and gas historically have been extremely volatile and are expected to continue to be volatile. During the past five years, the posted West Texas Intermediate (“WTI”) price for oil has ranged from a low of \$26.19 per Bbl in February 2016 to a high of \$107.95 per Bbl in June 2014. During 2018, WTI prices ranged from \$44.48 to \$77.41 per Bbl. If the prices of oil and gas decline, our operations, financial condition, cash flows and level of expenditures may be materially and adversely affected.

We have operated at a loss in the past, and there is no assurance of our profitability in the future.

Historically, we have experienced periods of low demand for our services and have incurred operating losses. In the future, we may not be able to reduce our costs, increase our revenues or reduce our debt service obligations sufficient to achieve or maintain profitability and generate positive operating income. Under such circumstances, we may incur further operating losses and experience negative operating cash flow.

We have developed certain key infrastructure assets in the Bakken area of North Dakota and in the northern Delaware Basin region of the Permian Basin in New Mexico, making us vulnerable to risks associated with conducting business in these regions.

We have secured three governmental permits that enable us to withdraw water from the Missouri River and Lake Sakakawea in North Dakota and have developed and expect to develop in the future significant water infrastructure related to these permits.

Because of the key nature of these permits and water infrastructure within the Bakken, the success and profitability of our business may be disproportionately exposed to factors impacting this region. These factors include, among others: (i) the prices of, and associated costs to produce, crude oil and gas from wells in the Bakken and other regional supply and demand factors (including the generally higher cost nature of production in the Bakken compared to other major shale plays and the pricing differentials that exist in the Bakken because of transportation constraints); (ii) the amount of exploration, development and production activities of our Bakken customers and their spending on our services; (iii) our ability to keep and maintain our governmental water permits; (iv) the cost of operations and the prices we can charge our customers in this region; and (v) the availability of equipment, supplies, and labor. Although we currently have secured key permits for water in this region, if we were to lose our water rights for any reason, including termination by the government upon the occurrence of a material breach, including nonpayment and default in performance, unexpected adverse environmental impacts, or our competitors were able to secure equivalent rights, our business could be materially harmed. In addition, our operations in the Bakken field may be adversely affected by severe weather events such as floods, blizzards, ice storms and tornadoes. For the years ended December 31, 2018, 2017 and 2016, our Bakken operations represented 9.9%, 10.4% and 9.6%, respectively, of our revenues. The concentration of our water permits and significant infrastructure assets in North Dakota also increases our exposure to changes in local laws and regulations, including those designed to protect wildlife and unexpected events that may occur in this region such as seismic events, industrial accidents or labor difficulties. Any of the risks described above could have an adverse effect on our financial condition, results of operations and cash flows.

Additionally, with the GRR Acquisition completed in March 2017 and the more recent Pro Well Testing Acquisition completed in November 2018, we have bolstered our water and water-related services to our customers in New Mexico. We expect to further develop those water and water-related services in the state in the future but the future availability of, and/or access to, water in New Mexico will be affected by the results of a case, *Texas v. New Mexico and Colorado* that is expected to be tried by a special master in the fall of 2020. In this lawsuit, Texas is alleging that New Mexico is not delivering the yearly water allotment due to Texas under the Rio Grande Compact, which agreement was created in 1938 to ensure that the two states and the state of Colorado would get their fair share of water from the river. To the extent that this lawsuit is adversely decided against New Mexico, the state could, among other things, be required to provide more water downstream to Texas, which could reduce the availability of and/or access to water to existing or new water rights holders in New Mexico. The risk of such adverse development could reduce our ability to obtain or maintain access to water for our customers' operations in the vicinity of our assets in New Mexico and have a corresponding adverse effect on our financial condition, results of operations and cash flows.

Restrictions on the ability to procure water or changes in water sourcing requirements could decrease the demand for our water-related services.

Our business includes water transfer for use in our customers' oil and gas E&P activities. Our access to the water we supply may be limited due to reasons such as prolonged drought or our inability to acquire or maintain water sourcing permits or other rights. In addition, some state and local governmental authorities have begun to monitor or restrict the use of water subject to their jurisdiction for hydraulic fracturing to ensure adequate local water supply. For instance, some states require E&P companies to report certain information regarding the water they use for hydraulic fracturing and to monitor the quality of groundwater surrounding some wells stimulated by hydraulic fracturing. In British Columbia, regulations relating to the use of water under the Water Sustainability Act came into effect in February 2016. This Act requires authorizations to be obtained to use groundwater for anything other than domestic use. The estimated 20,000 existing non-domestic groundwater users must be brought into the licensing scheme. In addition, anyone who diverts water must make beneficial use of that water, meaning they must use the water as efficiently as practicable, and for the purposes specified by the license or approval. In Alberta, AER monitors water withdrawals and

may suspend water withdrawals during a low flow period or drought to protect the integrity of the water system. Further, in Alberta, the Water Conservation and Allocation Policy for Oilfield Injection may be expanded to include hydraulic fracturing activities under the proposed Water Conservation Policy for Upstream Oil and Gas Operations. If this policy is expanded to include hydraulic fracturing, licensees will come under increased scrutiny surrounding their water use. Groundwater and surface water available for licensing may be limited and in water-short areas of Alberta, projects may be delayed until new technology or alternative water sources become available to protect non-saline water resources. It is unclear if or when this policy may be implemented. Any such decrease in the availability of water, or demand for water services, could adversely affect our business and results of operations.

We may not be able to finance future growth of our operations or future acquisitions, which could adversely affect our operations and financial position.

The successful execution of our growth strategy depends on our ability to generate sufficient cash flows and our access to capital, both of which are impacted by numerous factors beyond our control, including financial, business, economic and other factors, such as volatility in commodity prices and pressure from competitors. If we are unable to generate sufficient cash flows or obtain additional capital on favorable terms or at all, we may be unable to continue growing our business, conduct necessary corporate activities, take advantage of business opportunities that arise or engage in activities that may be in our long-term best interest, which may adversely impact our ability to sustain or improve our current level of profitability.

Fuel conservation measures could reduce demand for oil and natural gas which would, in turn, reduce the demand for our services.

Fuel conservation measures, alternative fuel requirements and increasing consumer demand for alternatives to oil and natural gas could reduce demand for oil and natural gas. The impact of the changing demand for oil and natural gas may have a material adverse effect on our business, financial condition, prospects, results of operations and cash flows. Additionally, the increased competitiveness of alternative energy sources (such as wind, solar, geothermal, tidal, fuel cells and biofuels) could reduce demand for hydrocarbons and therefore for our services, which would lead to a reduction in our revenues.

The growth of our business through acquisitions may expose us to various risks, including those relating to difficulties in identifying suitable, accretive acquisition opportunities and integrating businesses, assets and personnel, as well as difficulties in obtaining financing for targeted acquisitions and the potential for increased leverage or debt service requirements.

As a component of our business strategy, we intend to pursue selected, accretive acquisitions of complementary assets, businesses and technologies. Acquisitions involve numerous risks, including:

- unanticipated costs and assumption of liabilities and exposure to unforeseen liabilities of the acquired business, including but not limited to environmental liabilities;
- difficulties in integrating the operations and assets of the acquired business and the acquired personnel;
- limitations on our ability to properly assess and maintain an effective internal control environment over an acquired business;
- potential losses of key employees and customers of the acquired business;
- risks of entering markets in which we have limited prior experience; and
- increases in our expenses and working capital requirements.

In evaluating acquisitions, we generally prepare one or more financial cases based on a number of business, industry, economic, legal, regulatory and other assumptions applicable to the proposed transaction. Although we expect

a reasonable basis will exist for those assumptions, the assumptions will generally involve current estimates of future conditions. Realization of many of the assumptions will be beyond our control. Moreover, the uncertainty and risk of inaccuracy associated with any financial projection will increase with the length of the forecasted period. Some acquisitions may not be accretive in the near term and will be accretive in the long term only if we are able to timely and effectively integrate the underlying assets and such assets perform at or near the levels anticipated in our acquisition projections.

The process of integrating an acquired business may involve unforeseen costs and delays or other operational, technical and financial difficulties and may require a significant amount of time and resources. Our failure to incorporate the acquired business and assets into our existing operations successfully or to minimize any unforeseen operational difficulties could have a material adverse effect on our consolidated financial condition and consolidated results of operations. Furthermore, there is intense competition for acquisition opportunities in our industry. Competition for acquisitions may increase the cost of, or cause us to refrain from, completing acquisitions.

In addition, we may not have sufficient capital resources to complete any additional acquisitions. We may incur substantial indebtedness to finance future acquisitions and also may issue equity, debt or convertible securities in connection with such acquisitions. Debt service requirements could represent a significant burden on our results of operations and financial condition and the issuance of additional equity or convertible securities could be dilutive to our existing stockholders. Furthermore, we may not be able to obtain additional financing on satisfactory terms. Even if we have access to the necessary capital, we may be unable to continue to identify suitable acquisition opportunities, negotiate acceptable terms or successfully acquire identified targets.

Our Credit Agreement subjects us to various financial and other restrictive covenants. These restrictions may limit our operational or financial flexibility and could subject us to potential defaults under our Credit Agreement.

Our Credit Agreement subjects us to significant financial and other restrictive covenants, including restrictions on our ability to consolidate or merge with other companies, conduct asset sales, incur additional indebtedness, grant liens, issue guarantees, make investments, loans or advances, pay dividends and enter into certain transactions with affiliates.

Our Credit Agreement contains certain financial covenants, including the maintenance of a fixed charge coverage ratio of at least 1.0 to 1.0 at any time availability under the Credit Agreement is less than the greater of (i) 10% of the lesser of (A) the maximum revolver amount and (B) the then-effective borrowing base and (ii) \$15.0 million and continuing through and including the first day after such time that availability under the Credit Agreement has equaled or exceeded the greater of (i) 10% of the lesser of (A) the maximum revolver amount and (B) the then-effective borrowing base and (ii) \$15.0 million for 60 consecutive calendar days. Our ability to comply with such financial condition tests can be affected by events beyond our control and we may not be able to do so. Our scheduled maturity date is November 1, 2022. In addition, the Credit Agreement restricts SES Holdings' and Select LLC's ability to make distributions on, or redeem or repurchase, its equity interests, except for certain distributions, including distributions of cash so long as, both at the time of the distribution and after giving effect to the distribution, no default exists under the Credit Agreement and either (a) excess availability at all times during the preceding 30 consecutive days, on a pro forma basis and after giving effect to such distribution, is not less than the greater of (1) 25% of the lesser of (A) the maximum revolver amount and (B) the then-effective borrowing base and (2) \$37.5 million or (b) if SES Holdings' fixed charge coverage ratio is at least 1.0 to 1.0 on a pro forma basis, and excess availability at all times during the preceding 30 consecutive days, on a pro forma basis and after giving effect to such distribution, is not less than the greater of (1) 20% of the lesser of (A) the maximum revolver amount and (B) the then-effective borrowing base and (2) \$30.0 million. For additional information regarding our Credit Agreement, please read "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Credit Agreement."

If we are unable to remain in compliance with the covenants of our Credit Agreement, then the lenders may declare all amounts outstanding under the Credit Agreement to be immediately due and payable. Any such acceleration could have a material adverse effect on our financial condition and results of operations.

We may incur additional indebtedness or issue additional equity securities to execute our long-term growth strategy, which may reduce our profitability or result in significant dilution to our stockholders.

Constructing and maintaining water infrastructure used in the oil and gas industry requires significant capital. We may require additional capital in the future to develop and construct water sourcing, transfer and other related infrastructure to execute our growth strategy. For the years ended December 31, 2018, 2017 and 2016, we spent \$165.4 million, \$98.7 million and \$36.3 million, respectively, in capital expenditures (excluding expenditures connected with business combinations). Historically, we have financed these investments through cash flows from operations, our IPO, external borrowings and capital contributions from the existing owners of outstanding membership interests in SES Holdings prior to the Select 144A Offering and the related reorganization (the “Legacy Owners”) and certain of the Legacy Owners who received shares of our Class A common stock in exchange for their SES Holdings LLC Units received in connection with the corporate reorganization transactions related to the Select 144A Offering (the “Contributing Legacy Owners”). These sources of capital may not be available to us in the future. If we are unable to fund capital expenditures for any reason, we may not be able to capture available growth opportunities and any such failure could have a material adverse effect on our results of operations and financial condition. If we incur additional indebtedness or issue additional equity securities, our profitability may be reduced and our stockholders may experience significant dilution.

Significant price volatility or interruptions in supply of our raw materials for our chemicals business may result in increased costs that we may be unable to pass on to our customers, which could reduce profitability.

We purchase a substantial portion of our raw materials for our chemicals business from third-party suppliers and the cost of these raw materials represents a substantial portion of our operating expenses. The prices of the raw materials that we purchase from third parties are cyclical and volatile. Our supply agreements provide us only limited protection against price volatility as they are entered into either on a short-term basis or are longer-term volume contracts, which provide for market-based pricing renegotiated several times per year. While we attempt to match cost increases with corresponding product price increases, we are not always able to raise product prices immediately or at all. Timing differences between raw material prices, which may change daily, and contract product prices, which in many cases are negotiated only monthly or less often, have had and may continue to have a negative effect on our cash flow. Any cost increase that we are not able to pass on to our customers could have a material adverse effect on our business, results of operations, financial condition and liquidity.

There are several raw materials for which there are only a limited number of suppliers or a single supplier. To mitigate potential supply constraints, we enter into supply agreements with particular suppliers, evaluate alternative sources of supply and evaluate alternative technologies to avoid reliance on limited or sole-source suppliers. Where supply relationships are concentrated, particular attention is paid by the parties to ensure strategic intentions are aligned to facilitate long-term planning. If certain of our suppliers are unable to meet their obligations under present supply agreements, we may be forced to pay higher prices to obtain the necessary raw materials from other sources and we may not be able to increase prices for our finished products to recoup the higher raw materials costs. Any interruption in the supply of raw materials could increase our costs or decrease our revenue, which could reduce our cash flow. The inability of a supplier to meet our raw material needs could have a material adverse effect on our financial statements and results of operations.

The number of sources for and availability of certain raw materials is also specific to the particular geographical region in which a facility is located. Political and economic instability in the countries from which we purchase our raw material supplies could adversely affect their availability. In addition, if raw materials become unavailable within a geographic area from which they are now sourced, then we may not be able to obtain suitable or cost-effective substitutes. We may also experience higher operating costs such as energy or transportation costs, which could affect our profitability. We may not always be able to increase our selling prices to offset the impact of any higher production costs or reduced production levels, which could reduce our earnings and decrease our liquidity.

Changes in U.S. and international trade policies, particularly with regard to China, may adversely impact our business and operating results.

In 2018, the U.S. government imposed tariffs affecting certain goods produced in China. A portion of the chemicals we use originate in China and are sold to us by our supplier partners. As a result, tariffs incurred by our supplier partners could increase our costs and reduce profitability. Additionally, delays or interruptions in the supply of some chemicals could impact our ability to generate chemicals revenue. If we are forced to source chemicals currently originating in China from other countries, such compounds might be more expensive, inferior in quality, or take longer to source. If we incur higher costs that we cannot pass on to our customers or if we are unable to adequately replace the chemicals we currently source with chemicals produced elsewhere, our business could be adversely affected.

We may be subject to claims for personal injury and property damage, which could materially adversely affect our financial condition, results of operations and cash available for distribution.

We operate with most of our customers under MSAs. We endeavor to allocate potential liabilities and risks between the parties in the MSAs. Generally, under our MSAs, including those relating to our services, we assume responsibility for, including control and removal of, pollution or contamination which originates above the surface and originates from our equipment or services. Our customers generally assume responsibility for, including control and removal of, all other pollution or contamination which may occur during operations, including that which may result from seepage or any other uncontrolled flow of drilling fluids. We may have liability in such cases if we are negligent or commit willful acts. Generally, our customers also agree to indemnify us against claims arising from their employees' personal injury or death to the extent that, in the case of our operations, their employees are injured or their properties are damaged by such operations unless resulting from our gross negligence or willful misconduct. Similarly, we generally agree to indemnify our customers for liabilities arising from personal injury to or death of any of our employees, unless resulting from gross negligence or willful misconduct of the customer. In addition, our customers generally agree to indemnify us for loss or destruction of customer-owned property or equipment and in turn, we agree to indemnify our customers for loss or destruction of property or equipment we own. Losses due to catastrophic events, such as blowouts, are generally the responsibility of the customer. However, despite this general allocation of risk, we might not succeed in enforcing such contractual allocation, might incur an unforeseen liability falling outside the scope of such allocation or may be required to enter into an MSA with terms that vary from the above allocations of risk. As a result, we may incur substantial losses which could materially and adversely affect our financial condition, results of operations and cash available for distribution.

Legislation or regulatory initiatives intended to address seismic activity associated with oilfield disposal wells could restrict our ability to dispose of produced water gathered from our customers and, accordingly, could have a material adverse effect on our business.

We dispose of wastewater gathered from oil and gas producing customers that result from their drilling and production operations pursuant to permits issued to us by government authorities overseeing such disposal activities. While these permits are issued pursuant to existing laws and regulations, these legal requirements are subject to change, which could result in the imposition of more stringent permitting or operating constraints or new monitoring and reporting requirements owing to, among other things, concerns of the public or governmental authorities regarding such disposal activities.

One such concern relates to recent seismic events in the United States near underground disposal wells used for the disposal by injection of produced water resulting from oil and gas activities. Developing research suggests that the link between seismic activity and wastewater disposal may vary by region and that only a very small fraction of the tens of thousands of injection wells have been suspected to be, or have been, the likely cause of induced seismicity. In 2016, the United States Geological Survey identified six states with the most significant hazards from induced seismicity, including Oklahoma, Kansas, Texas, Colorado, New Mexico and Arkansas. The United States Geological Survey also noted the potential for induced seismicity in Ohio and Alabama. In response to concerns regarding induced seismicity, regulators in some states have imposed, or are considering imposing, additional requirements in the permitting of produced water disposal wells or otherwise to assess any relationship between seismicity and the use of such wells. For example, Oklahoma has issued new rules for wastewater disposal wells that imposed certain permitting and operating restrictions and reporting requirements on disposal wells in proximity to faults and also, from time to time, has

developed and implemented plans directing certain wells where seismic incidents have occurred to restrict or suspend disposal well operations. In particular, the Oklahoma Corporation Commission released well completion seismicity guidelines in late 2016 for operators in the SCOOP and STACK that call for hydraulic fracturing operations to be suspended following earthquakes of certain magnitudes in the vicinity. In addition, the Oklahoma Corporation Commission's Oil and Gas Conservation Division has, from time to time, issued an order, including during 2018, limiting future increases in the volume of oil and natural gas wastewater injected into the ground in an effort to reduce the number of earthquakes in the state. The Texas Railroad Commission has also adopted similar rules. Additional consequences of this seismic activity are lawsuits alleging that disposal well operations have caused damage to neighboring properties or otherwise violated state and federal rules regulating waste disposal. These developments could result in additional regulation and restrictions on the use of injection wells. Increased regulation and attention given to induced seismicity could lead to greater opposition to oil and gas activities utilizing injection wells for waste disposal. The adoption and implementation of any new laws, regulations or directives that restrict our ability to dispose of wastewater gathered from our customers by limiting, volumes, disposal rates, disposal well locations or otherwise, or requiring us to shut down disposal wells, could have a material adverse effect on our business, financial condition and results of operations.

We are subject to environmental and occupational health and safety laws and regulations that may expose us to significant liabilities for penalties, damages or costs of remediation or compliance.

Our operations and the operations of our customers are subject to federal, provincial, state and local laws and regulations in the United States and Western Canada relating to protection of natural resources and the environment, health and safety aspects of our operations and waste management, including the transportation and disposal of waste and other materials. These laws and regulations may impose numerous obligations on our operations and the operations of our customers, including the acquisition of permits to take freshwater from surface and underground sources, construct pipelines or containment facilities, drill wells or conduct other regulated activities, the incurrence of capital expenditures to mitigate or prevent releases of materials from our facilities or from customer locations where we are providing services, the imposition of substantial liabilities for pollution resulting from our operations, and the application of specific health and safety criteria addressing worker protection. Any failure on our part or the part of our customers to comply with these laws and regulations could result in the assessment of sanctions, including administrative, civil and criminal penalties, the imposition of investigatory, remedial, and corrective action obligations or the incurrence of capital expenditures; the occurrence of restrictions, delays or cancellations in the permitting, development or expansion of projects; and the issuance of injunctions restricting or prohibiting some or all of our activities in a particular area.

Our business activities present risks of incurring significant environmental costs and liabilities, including costs and liabilities resulting from our handling of oilfield and other wastes, because of air emissions and wastewater discharges related to our operations, and due to historical oilfield industry operations and waste disposal practices. Our businesses include the operation of oilfield waste disposal injection wells that pose risks of environmental liability, including leakage from the wells to surface or subsurface soils, surface water or groundwater. In addition, private parties, including the owners of properties upon which we perform services and facilities where our wastes are taken for reclamation or disposal, also may have the right to pursue legal actions to enforce compliance as well as to seek damages for non-compliance with environmental laws and regulations or for personal injury or property or natural resource damages. Some environmental laws and regulations may impose strict liability, which means that in some situations we could be exposed to liability as a result of our conduct that was lawful at the time it occurred or the conduct of, or conditions caused by, prior operators or other third parties. Remedial costs and other damages arising as a result of environmental laws and costs associated with changes in environmental laws and regulations could be substantial and could have a material adverse effect on our liquidity, consolidated results of operations and consolidated financial condition.

Laws and regulations protecting the environment generally have become more stringent in recent years and are expected to continue to do so, which could lead to material increases in costs for future environmental compliance and remediation. The adoption of new laws or regulations, amendment of existing laws and regulations, re-interpretation of legal requirements or increased enforcement could restrict, delay or cancel exploratory or developmental drilling for oil and gas and could limit well servicing opportunities. We may not be able to recover some or any of our costs of compliance with these laws and regulations from insurance.

Unsatisfactory safety performance may negatively affect our customer relationships and, to the extent we fail to retain existing customers or attract new customers, adversely impact our revenues.

Our ability to retain existing customers and attract new business is dependent on many factors, including our ability to demonstrate that we can reliably and safely operate our business and stay current on constantly changing rules, regulations, training and laws. Existing and potential customers consider the safety record of their service providers to be of high importance in their decision to engage third-party services. If one or more accidents were to occur at one of our operating sites, the affected customer may seek to terminate or cancel its use of our facilities or services and may be less likely to continue to use our services, which could cause us to lose substantial revenues. Further, our ability to attract new customers may be impaired if they elect not to purchase our third-party services because they view our safety record as unacceptable. In addition, it is possible that we will experience numerous or particularly severe accidents in the future, causing our safety record to deteriorate. This may be more likely as we continue to grow, if we experience high employee turnover or labor shortage, or add inexperienced personnel.

Federal, state, provincial and local legislative and regulatory initiatives in the United States and Western Canada relating to hydraulic fracturing could result in operating restrictions, delays or cancellations in the drilling and completion of oil and gas wells that may reduce demand for our services and could have a material adverse effect on our liquidity, consolidated results of operations and consolidated financial condition.

Hydraulic fracturing is an important and common practice that is used to stimulate the production of hydrocarbons from dense subsurface rock formations. The process involves the injection of water, sand or other proppants and chemical additives under pressure into targeted geological formations to fracture the surrounding rock and stimulate production. In the United States, hydraulic fracturing is currently generally exempt from regulation under the SDWA's UIC program and is typically regulated by state oil and gas commissions or similar agencies. However, the practice continues to be controversial in certain parts of the country, resulting in increased scrutiny and regulation of the fracturing process, including by federal agencies, several of which have asserted regulatory authority or pursued investigations over certain aspects of the hydraulic fracturing process. For example, the EPA has asserted regulatory authority pursuant to the SDWA Underground Injection Control program over hydraulic fracturing activities involving the use of diesel and issued guidance covering such activities, as well as published an Advanced Notice of Proposed Rulemaking regarding TSCA reporting of the chemical substances and mixtures used in hydraulic fracturing.

Additionally, in June 2016, the EPA published an effluent limit guideline final rule prohibiting the discharge of wastewater from onshore unconventional oil and gas extraction facilities to publicly owned wastewater treatment plants. Also, the BLM published a final rule in 2015 that established new or more stringent standards relating to hydraulic fracturing on federal and American Indian lands but the BLM rescinded the 2015 rule in late 2017; however, litigation challenging the BLM's decision to rescind the 2015 rule is pending in federal district court. Also, in late 2016, the EPA released its final report on the potential impacts of hydraulic fracturing on drinking water resources, concluding that "water cycle" activities associated with hydraulic fracturing may impact drinking water resources under some circumstances. Legislation has been introduced from time to time, but not enacted, in Congress to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the fracturing process.

Moreover, some states and local governments have adopted, and other governmental entities are considering adopting, regulations that could impose more stringent permitting, disclosure and well-construction requirements on hydraulic fracturing operations, including states where we or our customers operate. For example, Texas, Oklahoma, California, Ohio, Pennsylvania and North Dakota, among others, have adopted regulations that impose new or more stringent permitting, disclosure, disposal and well construction requirements on hydraulic fracturing operations. States could also elect to prohibit high volume hydraulic fracturing altogether, following the approach taken by the State of New York. Additionally, non-governmental organizations may seek to restrict hydraulic fracturing, as has been the case in Colorado in recent years, when certain interest groups therein have unsuccessfully pursued ballot initiatives in recent general election cycles that, had they been successful, would have revised the state constitution or state statutes in a manner that would have made exploration and production activities in the state more difficult or costly in the future including, for example, by increasing mandatory setback distances of oil and natural gas operations, including hydraulic fracturing, from specific occupied structures and/or certain environmentally sensitive or recreational areas. In the event that new federal, state or local restrictions on the hydraulic fracturing process are adopted in areas where we or our customers conduct business, we or our customers may incur additional costs or permitting requirements to comply with

such requirements that may be significant in nature and our customers could experience added restrictions, delays or cancellations in their exploration, development, or production activities, which would in turn reduce the demand for our services and have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

In addition, in light of concerns about seismic activity being triggered by the injection of produced wastewaters into underground disposal wells, certain regulators are also considering additional requirements related to seismic safety for hydraulic fracturing activities. For example, the Oklahoma Corporation Commission released well completion seismicity guidelines in December 2016 for operators in the SCOOP and STACK that call for hydraulic fracturing operations to be suspended following earthquakes of certain magnitudes in the vicinity. In addition, the Oklahoma Corporation Commission's Oil and Gas Conservation Division has, from time to time, issued orders, including during 2018, limiting future increases in the volume of oil and natural gas wastewater injected into the ground in an effort to reduce the number of earthquakes in the state. In addition to state laws, local land use restrictions, such as city ordinances, may restrict drilling in general and/or hydraulic fracturing in particular, as certain local governments in California have done. Other states, such as Texas, Oklahoma and Ohio have taken steps to limit the authority of local governments to regulate oil and gas development. The adoption and implementation of any new laws, regulations or directives that restrict our ability to dispose of wastewater gathered from our customers by limiting volumes, disposal rates, disposal well locations or otherwise, or requiring us to shut down disposal wells, could have a material adverse effect on our business, consolidated financial condition, and consolidated results of operations.

While hydraulic fracturing in Alberta and British Columbia, Canada has been occurring for decades, due to concerns over environmental impacts including water usage, wastewater disposal and contamination, and induced seismicity, the AER in Alberta and the BCOGC in British Columbia continue to conduct an ongoing review of rules and regulations of the industry. The AER has moved to require water use measurement and sourcing details for all fractured wells in Alberta, fracture fluid chemical disclosure, limited trade secret protection and prescribed setbacks for shallow fracturing near water wells.

Increased regulation and attention given to the hydraulic fracturing process could lead to greater opposition to oil and gas production activities using hydraulic fracturing techniques. Additional legislation or regulation could also lead to operational delays or increased operating costs for our customers in the production of oil and gas, including from the developing shale plays, or could make it more difficult to perform hydraulic fracturing. The adoption of any federal, state or local laws or the implementation of regulations regarding hydraulic fracturing could potentially cause a decrease in the completion of new oil and gas wells and an associated decrease in demand for our services and increased compliance costs and time, which could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

Climate change legislation or regulations in the United States and Western Canada restricting or regulating emissions of greenhouse gases could result in increased operating costs and reduced demand for our field services.

In the United States, in response to findings that emissions of carbon dioxide, methane and other GHGs present an endangerment to public health and the environment, the EPA has adopted regulations under existing provisions of the CAA that, among other things, establish the PSD construction and Title V operating permit reviews for certain large stationary sources that emit certain principal, or "criteria," pollutants. Facilities required to obtain PSD permits for their GHG emissions also will be required to meet "best available control technology" standards. In addition, the EPA has adopted rules requiring the monitoring and annual reporting of GHG emissions from oil and gas production, processing, transmission and storage facilities in the United States.

The U.S. Congress has from time to time considered legislation to reduce emissions of GHGs but there has not been significant activity in the form of adopted legislation to reduce GHG emissions at the federal level in recent years. In the absence of such federal climate legislation, a number of state and regional efforts have emerged that are aimed at tracking and/or reducing GHG emissions through the completion of GHG emissions inventories and by means of cap and trade programs that typically require major sources of GHG emissions to acquire and surrender emission allowances in return for emitting those GHGs. The EPA has also developed strategies for the reduction of methane emissions, including emissions from the oil and gas industry. For example, in 2016, the EPA published NSPS, known as Subpart

OOOOa, that require certain new, modified or reconstructed facilities in the oil and natural gas sector to reduce methane gas and volatile organic compound emissions. These Subpart OOOOa standards expand previously issued NSPS published by the EPA in 2012, and known as Subpart OOOO, by using certain equipment-specific emissions control practices. However, in 2017, the EPA published a proposed rule to stay certain portions of the 2016 standards for two years but the EPA has not yet published a final rule. Rather, in February 2018, the EPA finalized amendments to certain requirements of the 2016 final rule and, in September 2018, the agency proposed additional amendments that included rescission or revision of certain requirements such as fugitive emission monitoring frequency. Furthermore, in 2016, the BLM published a final rule to reduce methane emissions by regulating venting, flaring and leaking from oil and gas operations on public lands. Furthermore, in 2017, the BLM published a final rule that established, among other things, requirements to reduce methane emissions arising by regulating venting, flaring and leakage from oil and gas production activities on onshore federal and American Indian lands. However, in September 2018, the BLM published a final rule that rescinds most of the requirements in the 2016 final rule and codifies the BLM's prior approach to venting and flaring. The rescission of the requirements in the 2016 final rule is being challenged in federal court. These rules, should they remain in effect, and any other new methane emission standards imposed on the oil and natural gas sector could result in increased costs to our or our customers' operations as well as result in restrictions, delays or cancellations in such operations, which developments could adversely affect our business.

Additionally, in April 2016, the United States joined other countries in entering into the United Nations-sponsored nonbinding agreement negotiated in Paris, France known as the Paris Agreement that proposed requiring member countries to review and "represent a progression" in their intended nationally determined contributions, which set GHG emission reduction goals every five years beginning in 2020. This agreement was signed by the United States in April 2016 and entered into force in November 2016. However, in August 2017, the U.S. Department of State officially informed the United Nations of the intent of the United States to withdraw from the Paris Agreement. The Paris Agreement provides for a four-year exit process beginning when it took effect in November 2016, which would result in an effective exit date of November 2020. The United States' adherence to the exit process and/or the terms on which the United States may re-enter the Paris Agreement or a separately negotiated agreement are unclear at this time.

In Canada, in June 2018, a federal act, the Greenhouse Gas Pollution Pricing Act, went into effect. Canadian Prime Minister Trudeau announced that pursuant to this act, Canada will implement a revenue neutral carbon tax, commencing in 2019. The federal carbon tax will be assessed on each tonne of emissions from fossil fuels. Additionally, the federal carbon pollution price will start at C\$20 per tonne in 2019, rising at C\$10 per tonne per year until reaching C\$50 per tonne in 2022, after which the price will remain constant. Under the act, provinces that already implement a carbon tax that is at least as stringent as the federal carbon tax will be in compliance with the act and will not have to collect an additional federal tax.

Alberta and British Columbia already have carbon tax programs in effect, and other provincial governments have either proposed or instituted a carbon tax in response to the global push to combat climate change. The carbon tax program in British Columbia has been in place since 2008 and, beginning on April 1, 2018, the carbon tax rate was C\$35 per tonne of carbon dioxide equivalent, the price increasing by C\$5 each year until it reaches C\$50 per tonne of emissions in 2021. As of January 1, 2018, Alberta has a provincial carbon tax of C\$30 per tonne, rising to C\$40 per tonne in 2021 and C\$50 in 2022. These carbon taxes are expected to have a significant impact on energy-intensive businesses.

Although it is not possible at this time to predict how new laws or regulations in the United States or Canada or any legal requirements imposed by the Paris Agreement on the United States, should it not withdraw from the agreement, or Canada that may be adopted or issued to address GHG emissions would impact our business, any such future laws, regulations or other legal requirements imposing reporting or permitting obligations on, or limiting emissions of GHGs from, our or our customers' equipment and operations could require us or our customers to incur costs to reduce emissions of GHGs associated with operations as well as delays or restrictions in the ability to permit GHG emissions from new or modified sources. In addition, substantial limitations on GHG emissions could adversely affect demand for the oil and gas our customers produce, which could reduce demand for our services. Notwithstanding potential risks related to climate change, the International Energy Agency estimates that oil and gas will continue to represent a major share of global energy use through 2040, and other private sector studies project continued growth in

demand for the next two decades. However, recent activism directed at shifting funding away from companies with energy-related assets could result in limitations or restrictions on certain sources of funding for the energy sector.

Finally, it should be noted that increasing concentrations of GHGs in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, floods, droughts and other climatic events. If any such effects were to occur, they could have an adverse effect on our and our customers' operations.

The Endangered Species Act and Migratory Bird Treaty Act in the United States and similar legislation applicable in Western Canada govern both our and our oil and gas producing customers' operations and additional restrictions may be imposed in the future, which constraints could have an adverse impact on our ability to expand some of our existing operations or limit our customers' ability to develop new oil and gas wells.

In the United States, the ESA restricts activities that may affect endangered or threatened species or their habitats. Similar protections are offered to migratory birds under the MBTA. To the degree that species listed under the ESA or similar state laws, or are protected under the MBTA, live in the areas where we or our oil and gas producing customers' operate, both our and our customers' abilities to conduct or expand operations and construct facilities could be limited or be forced to incur additional material costs. Moreover, our customers' drilling activities may be delayed, restricted or precluded in protected habitat areas or during certain seasons, such as breeding and nesting seasons. Some of our operations and the operations of our customers are located in areas that are designated as habitats for protected species.

In addition, as a result of one or more settlements approved by the FWS, the agency is required to make a determination on the listing of numerous other species as endangered or threatened under the ESA by the end of the FWS' 2017 fiscal year. The designation of previously unidentified endangered or threatened species could indirectly cause us to incur additional costs, cause our or our oil and gas producing customers' operations to become subject to operating restrictions or bans and limit future development activity in affected areas. The FWS and similar state agencies may designate critical or suitable habitat areas that they believe are necessary for the survival of threatened or endangered species. Such a designation could materially restrict the use of or access to federal, state and private lands.

In Canada, the MBCA prohibits the release of substances that can harm migratory birds in waters used by them and gives the federal government the authority to develop regulations to protect migratory birds, and their habitats, including nests. Oil and gas development projects must comply with provisions of the MBCA, as well as the federal Species at Risk Act. Alberta and British Columbia each have a provincial Wildlife Act, which imposes restrictions to prevent wildlife species from disappearing that could impact oil and gas operations and reduce demand for our services.

Our chemical products are subject to stringent chemical control laws that could result in increased costs on our business.

We are subject to a wide array of laws and regulations governing chemicals, including the regulation of chemical substances and inventories, such as the TSCA in the United States and the Canadian Environmental Protection Act in Canada. These laws and regulations change frequently and have the potential to limit or ban altogether the types of chemicals we may use in our products, as well as result in increased costs related to testing, storing, and transporting our products prior to providing them to our customers. For example, in 2016, President Obama signed into law the Lautenberg Act, which substantially revised TSCA. Among other items, the Lautenberg Act eliminated the cost-benefit approach to analyzing chemical safety concerns with a health-based safety standard and requires all chemicals in commerce, including those "grandfathered" under TSCA, to undergo a safety review. The Lautenberg Act also requires safety findings before a new chemical can enter the market. Although it is not possible at this time to predict how EPA will implement and interpret the new provisions of the Lautenberg Act, or how legislation or new regulations that may be adopted pursuant to these regulatory and legislative efforts would impact our business, any new restrictions on the development of new products, increases in regulation, or disclosure of confidential, competitive information could have an adverse effect on our operations and our cost of doing business.

Furthermore, governmental, regulatory and societal demands for increasing levels of product safety and environmental protection could result in increased pressure for more stringent regulatory control with respect to the chemical industry. In addition, these concerns could influence public perceptions regarding our products and operations, the viability of certain products, our reputation, the cost to comply with regulations, and the ability to attract and retain employees. Moreover, changes in environmental, health and safety regulations could inhibit or interrupt our operations, or require us to modify our facilities or operations. Accordingly, environmental or regulatory matters may cause us to incur significant unanticipated losses, costs or liabilities, which could reduce our profitability.

Disruptions in production at our chemical manufacturing facilities may have a material adverse impact on our business, results of operations and/or financial condition.

Chemical manufacturing facilities in our industry are subject to outages and other disruptions. Any serious disruption at any of our facilities could impair our ability to use our facilities and have a material adverse impact on our revenue and increase our costs and expenses. Alternative facilities with sufficient capacity may not be available, may cost substantially more or may take a significant time to increase production or qualify with our customers, any of which could negatively impact our business, results of operations and/or financial condition. Long-term production disruptions may cause our customers to seek alternative supply which could further adversely affect our profitability.

Unplanned production disruptions may occur for external reasons including natural disasters, weather, disease, strikes, transportation interruption, government regulation, political unrest or terrorism, or internal reasons, such as fire, unplanned maintenance or other manufacturing problems. Any such production disruption could have a material impact on our operations, operating results and financial condition.

In addition, we rely on a number of vendors, suppliers, and in some cases sole-source suppliers, service providers, toll manufacturers and collaborations with other industry participants to provide us with chemicals, feedstocks and other raw materials, along with energy sources and, in certain cases, facilities that we need to operate our business. If the business of these third parties is disrupted, some of these companies could be forced to reduce their output, shut down their operations or file for bankruptcy protection. If this were to occur, it could adversely affect their ability to provide us with the raw materials, energy sources or facilities that we need, which could materially disrupt our operations, including the production of certain of our chemical products. Moreover, it could be difficult to find replacements for certain of our business partners without incurring significant delays or cost increases. All of these risks could have a material adverse effect on our business, results of operations, financial condition and liquidity.

While we maintain business recovery plans that are intended to allow us to recover from natural disasters or other events that could disrupt our business, we cannot provide assurances that our plans would fully protect us from the effects of all such disasters or from events that might increase in frequency or intensity due to climate change. In addition, insurance may not adequately compensate us for any losses incurred as a result of natural or other disasters. In areas prone to frequent natural or other disasters, insurance may become increasingly expensive or not available at all.

We operate in a highly competitive industry, which may intensify as our competitors expand their operations that may cause us to lose market share and could negatively affect our ability to expand our operations.

The water solutions business is highly competitive and includes numerous small companies capable of competing effectively in our markets on a local basis. Some of our competitors have a similarly broad geographic scope, as well as greater financial and other resources than we do, while others focus on specific basins only and may have local competitive cost efficiencies as a result. Additionally, there may be new companies that enter the water solutions business, or our existing and potential customers may develop their own water solutions businesses. Our ability to maintain current revenue and cash flows, and our ability to expand our operations, could be adversely affected by the activities of our competitors and our customers. If our competitors substantially increase the resources they devote to the development and marketing of competitive services or substantially decrease the prices at which they offer their services; we may be unable to effectively compete. If our existing and potential customers develop their own water solutions businesses, we may not be able to effectively replace that revenue. All of these competitive pressures could have a material adverse effect on our business, results of operations and financial condition.

The oil and gas industry is intensely competitive, and in certain businesses we compete with other companies that have greater resources than us. Many of our larger competitors provide a broader base of services on a regional, national or worldwide basis. These companies may have a greater ability to continue oilfield service activities during periods of low commodity prices, to contract for equipment, to secure trained personnel, to secure contracts and permits and to absorb the burden of present and future federal, state, provincial, local and other laws and regulations (as applicable). Any inability to compete effectively with larger companies could have a material adverse impact on our financial condition and results of operations.

We may be unable to implement price increases or maintain existing prices on our core services.

We periodically seek to increase the prices on our services to offset rising costs and to generate higher returns for our stockholders. However, 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 service capacity, including new well service rigs, fluid hauling trucks and coiled tubing units, may enter the market, which also puts pressure on the pricing of our services and limits our ability to increase prices.

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 such rising costs. In periods of high demand for oilfield services, a tighter labor market may result in higher labor costs. During such periods, our labor costs could increase at a greater rate than our ability to raise prices for our services. Also, we may not be able to successfully increase prices without adversely affecting our activity levels. The inability to maintain our pricing and to increase our pricing as costs increase could have a material adverse effect on our business, financial position and results of operations.

Our operations involve risks that may increase our operating costs, which could reduce our profitability.

Although we take precautions to enhance the safety of our operations and minimize the risk of disruptions, our operations are subject to hazards inherent in the manufacturing and marketing of chemical and other products. These hazards include chemical spills, pipeline leaks and ruptures, storage tank leaks, discharges or releases of toxic or hazardous substances or gases and other hazards incident to the manufacturing, processing, handling, transportation and storage of hazardous chemicals. We are also potentially subject to other hazards, including natural disasters and severe weather; explosions and fires; transportation problems, including interruptions, spills and leaks; mechanical failures; unscheduled downtimes; labor difficulties; remediation complications; and other risks. Many potential hazards can cause bodily injury and loss of life, severe damage to or destruction of property and equipment and environmental damage, and may result in suspension of operations and the imposition of civil or criminal penalties and liabilities. Furthermore, we are subject to present and future claims with respect to workplace exposure, exposure of contractors on our premises as well as other persons located nearby, workers' compensation and other matters.

We maintain property, business interruption, products liability and casualty insurance policies which we believe are in accordance with customary industry practices, as well as insurance policies covering other types of risks, including pollution legal liability insurance, but we are not fully insured against all potential hazards and risks incident to our business. Each of these insurance policies is subject to customary exclusions, deductibles and coverage limits, in accordance with industry standards and practices. As a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially and, in some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our business, results of operations, financial condition and liquidity.

In addition, we are subject to various claims and litigation in the ordinary course of business. We are a party to various pending lawsuits and proceedings. For more information, see "Item 3. Legal Proceedings."

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

We depend to a large extent on the services of some of our executive officers. The loss of the services of one or more of our key executives could increase our exposure to the other risks described in this “Risk Factors” section. We do not maintain key man insurance on any of our personnel.

Our industry has experienced a high rate of employee turnover. Any difficulty we experience replacing or adding personnel could have a material adverse effect on our liquidity, results of operations and financial condition.

We are dependent upon the available labor pool of skilled employees and may not be able to find enough skilled labor to meet our needs, which could have a negative effect on our growth. We are also subject to the Fair Labor Standards Act, which governs such matters as minimum wage, overtime and other working conditions. Our services require skilled workers who can perform physically demanding work. As a result of our industry volatility, including the recent and pronounced decline in drilling activity, as well as the demanding nature of the work, many workers have left the oilfield services section to pursue employment in different fields. If we are unable to retain or meet the growing demand for skilled technical personnel, our operating results and our ability to execute our growth strategies may be adversely affected.

Delays or restrictions in obtaining permits by us for our operations or by our customers for their operations could impair our business.

In the United States, our operations and the operations of our oil and gas producing customers in most states require permits from one or more governmental agencies in order to perform drilling and completion activities, secure water rights, construct impoundments tanks and operate pipelines or trucking services. Such permits are typically issued by state agencies, but federal and local governmental permits may also be required. In addition, some of our customers’ drilling and completion activities in the United States may take place on federal land or Native American lands, requiring leases and other approvals from the federal government or Native American tribes to conduct such drilling and completion activities. Under certain circumstances, federal agencies may cancel proposed leases for federal lands and refuse to grant or delay required approvals. Therefore, our customers’ operations in certain areas of the United States may be interrupted or suspended for varying lengths of time, causing a loss of revenue to us and adversely affecting our results of operations in support of those customers.

Similarly, in Canada, permits are generally issued by provincial agencies. However, federal permits are required for certain activities, such as where a project occurs on lands under federal jurisdiction. Where projects occur on unoccupied Crown lands, treaty lands or in proximity to Reserves, project proponents may face significant delays due to challenges from First Nations people because First Nations have constitutionally guaranteed rights to hunt, trap and fish. Project proponents must conduct adequate consultation with affected First Nations, and projects may encounter lengthy delays if court challenges are made in regards to inadequate consultation. The requirements for such permits vary depending on the location where such drilling and completion, and pipeline and gathering, activities will be conducted. Our customers’ operations in certain areas of Canada may be interrupted or suspended for varying lengths of time, causing a loss of revenue to us and adversely affecting our results of operations in support of those customers. As with all governmental permitting processes, regardless of whether in the United States or Canada, there is a degree of uncertainty as to whether a permit will be granted, the time it will take for a permit to be issued, the conditions that may be imposed in connection with the granting of the permit and whether the permit may be terminated.

In the future, we may face increased obligations relating to the closing of our wastewater disposal facilities and may be required to provide an increased level of financial assurance to guarantee that the appropriate closure activities will occur for a wastewater disposal facility.

In the United States, as well as Alberta and British Columbia, obtaining a permit to own or operate wastewater disposal facilities generally requires us to establish performance bonds, letters of credit or other forms of financial assurance to address remediation and closure obligations. As we acquire additional wastewater disposal facilities or expand our existing wastewater disposal facilities, these obligations will increase. Additionally, in the future, regulatory

agencies may require us to increase the amount of our closure bonds at existing wastewater disposal facilities. Moreover, actual costs could exceed our current expectations, as a result of, among other things, federal, provincial, state or local government regulatory action, increased costs charged by service providers that assist in closing wastewater disposal facilities and additional environmental remediation requirements. Increased regulatory requirements regarding our existing or future wastewater disposal facilities, including the requirement to pay increased closure and post-closure costs or to establish increased financial assurance for such activities could substantially increase our operating costs and cause the available cash that we have to distribute to our stockholders to decline.

Constraints in the supply of equipment used in providing services to our customers and replacement parts for such could affect our ability to execute our growth strategies.

Equipment used in providing services to our customers is normally readily available. Market conditions could trigger constraints in the supply chain of certain equipment or replacement parts for such equipment, which could have a material adverse effect on our business. The majority of our risk associated with supply chain constraints occurs in those situations where we have a relationship with a single supplier for a particular resource.

If we are unable to fully protect our intellectual property rights, we may suffer a loss in our competitive advantage or market share.

We do not have patents or patent applications relating to many of our proprietary chemicals. If we are not able to maintain the confidentiality of our trade secrets, or if our competitors are able to replicate our technology or services, our competitive advantage would be diminished. We also cannot assure you that any patents we may obtain in the future would provide us with any significant commercial benefit or would allow us to prevent our competitors from employing comparable technologies or processes.

Technology advancements in well service technologies, including those involving recycling of saltwater or the replacement of water in fracturing fluid, could have a material adverse effect on our business, financial condition and results of operations.

The oilfield services industry is characterized by rapid and significant technological advancements and introductions of new products and services using new technologies. The saltwater disposal industry is subject to the introduction of new waste treatment and disposal techniques and services using new technologies including those involving recycling of saltwater, some of which may be subject to patent protection. As competitors and others use or develop new technologies or technologies comparable to ours in the future, we may lose market share or be placed at a competitive disadvantage. For example, some oil and gas producers are focusing on developing and utilizing non-water fracturing techniques, including those utilizing propane, carbon dioxide or nitrogen instead of water. Further, we may face competitive pressure to implement or acquire certain new technologies at a substantial cost. Some of our competitors may have greater financial, technical and personnel resources than we do, which may allow them to gain technological advantages or implement new technologies before we can. Additionally, we may be unable to implement new technologies or products at all, on a timely basis or at an acceptable cost. New technology could also make it easier for our customers to vertically integrate their operations or reduce the amount of waste produced in oil and gas drilling and production activities, thereby reducing or eliminating the need for third-party disposal. Limits on our ability to effectively use or implement new technologies may have a material adverse effect on our business, financial condition and results of operations.

We may be adversely affected by uncertainty in the global financial markets and a worldwide economic downturn.

Our future results may be impacted by uncertainty caused by a worldwide economic downturn, continued volatility or deterioration in the debt and equity capital markets, inflation, deflation or other adverse economic conditions that may negatively affect us or parties with whom we do business resulting in a reduction in our customers' spending and their non-payment or inability to perform obligations owed to us, such as the failure of customers to honor their commitments or the failure of major suppliers to complete orders. Additionally, credit market conditions may change, slowing our collection efforts as customers may experience increased difficulty in obtaining requisite financing, potentially leading to lost revenue and higher than normal accounts receivable. In the event of the financial distress or

bankruptcy of a customer, we could lose all or a portion of such outstanding accounts receivable associated with that customer. Further, if a customer was to enter into bankruptcy, it could also result in the cancellation of all or a portion of our service contracts with such customer at significant expense to us.

The current global economic environment may adversely impact our ability to issue debt. Any economic uncertainty may cause institutional investors to respond to their borrowers by increasing interest rates, enacting tighter lending standards or refusing to refinance existing debt upon its maturity or on terms similar to the expiring debt. Due to the above-listed factors, we cannot be certain that additional funding will be available if needed and, to the extent required, on acceptable terms.

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.

Our operations are subject to hazards inherent in the oil and gas industry, such as, but not limited to, accidents, blowouts, explosions, craterings, fires, oil spills and releases of drilling, completion or fracturing fluids or wastewater into the environment. These conditions can cause:

- disruption in operations;
- substantial repair or remediate costs;
- personal injury or loss of human life;
- significant damage to or destruction of property, plant and equipment;
- environmental pollution, including groundwater contamination;
- impairment or suspension of operations; and
- substantial revenue loss.

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 liquidity, consolidated results of operations and consolidated financial condition. Any interruption in our services due to pipeline breakdowns or necessary maintenance or repairs could reduce sales revenues and earnings. In addition, claims for loss of oil and 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 our being named as a defendant in lawsuits asserting large claims.

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. In addition, we may not be able to maintain adequate insurance in the future at rates we consider reasonable. 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.

The deterioration of the financial condition of our customers could adversely affect our business.

During times when the gas or crude oil markets weaken, our customers are more likely to experience financial difficulties, including being unable to access debt or equity financing, which could result in a reduction in our customers' spending for our services. In addition, in the course of our business we hold accounts receivable from our customers. In the event of the financial distress or bankruptcy of a customer, we could lose all or a portion of such outstanding accounts receivable associated with that customer. Further, if a customer was to enter into bankruptcy, it

could also result in the cancellation of all or a portion of our service contracts with such customer at significant expense or loss of expected revenues to us.

We may be required to take write-downs of the carrying values of our long-lived assets and finite-lived intangible assets.

We evaluate our long-lived assets, such as property and equipment, and finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Recoverability is measured by a comparison of their carrying amount to the estimated undiscounted cash flows to be generated by those assets. Based on specific market factors and circumstances at the time of prospective impairment reviews and the continuing evaluation of development plans, economics and other factors, we may be required to write down the carrying value of our long-lived and finite-lived intangible assets. For the year ended December 31, 2018, we recorded \$6.7 million of impairment charges to write down the carrying value of our long-lived assets. We did not record an impairment on our definite-lived and indefinite-lived intangible assets.

We may be required to take a write-down of the carrying value of goodwill.

We conduct our annual goodwill impairment assessment during the fourth quarter of each year, or more frequently if an event or circumstance indicates that the carrying value of a reporting unit may exceed the fair value. When possible impairment is indicated, we value the implied goodwill to compare it with the carrying amount of goodwill. If the carrying amount of goodwill exceeds its implied fair value, an impairment charge is recorded. The fair value of goodwill is based on estimates and assumptions applied by us such as revenue growth rates, operating margins, weighted-average costs of capital, market multiples, and future market conditions and as affected by numerous factors, including the general economic environment and levels of exploration and production activity of oil and gas companies, our financial performance and trends, and our strategies and business plans, among others. As a result of this annual impairment assessment, we may be required to write down the carrying value of goodwill. For the year ended December 31, 2018, we recorded \$12.7 million of goodwill impairment in our Oilfield Chemicals segment as well as \$5.2 million of goodwill impairment on our Affirm subsidiary in our Wellsite Services segment.

Seasonal weather conditions and natural disasters could severely disrupt normal operations and harm our business.

Our water solutions operations are located primarily in the southern, mid-western and eastern United States. We also have fluids management operations in Western Canada. Certain of these areas are adversely affected by seasonal weather conditions, primarily in the winter and spring. During periods of heavy snow, ice or rain, we may be unable to move our equipment between locations, thereby reducing our ability to provide services and generate revenues. In particular, in Canada, wet weather and the spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. The timing and length of the road bans depend on weather conditions leading to the spring thaw and during the thawing period. Additionally, certain oil and gas producing areas are located in areas that are inaccessible other than during the winter months, because the ground surrounding the drilling sites in these areas consists of swampy terrain known as muskeg. Rigs and other necessary equipment cannot cross this terrain to reach the drilling site until the muskeg freezes. Additionally, extended drought conditions in our operating regions could impact our ability to source sufficient water for our customers or increase the cost for such water. As a result, a natural disaster or inclement weather conditions could severely disrupt the normal operation of our business and adversely impact our financial condition and results of operations.

We are subject to cybersecurity risks. A cyber incident could occur and result in information theft, data corruption, operational disruption and/or financial loss.

The oil and gas industry has become increasingly dependent on digital technologies to conduct certain processing activities. For example, we depend on digital technologies to perform many of our services and to process and record financial and operating data. At the same time, cyber incidents, including deliberate attacks or unintentional events, have increased. The U.S. government has issued public warnings that indicate that energy assets might be specific targets of cybersecurity threats. Our technologies, systems and networks, and those of our vendors, suppliers and

other business partners, may become the target of cyber attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of proprietary and other information, or other disruption of business operations. In addition, certain cyber incidents, such as surveillance, may remain undetected for an extended period. Our systems for protecting against cybersecurity risks may not be sufficient. As cyber incidents continue to evolve, we may be required to expend additional resources to continue to modify or enhance our protective measures or to investigate and remediate any vulnerability to cyber incidents. Our insurance coverage for cyber attacks may not be sufficient to cover all the losses we may experience as a result of such cyber attacks.

A terrorist attack or armed conflict could harm our business.

The occurrence or threat of terrorist attacks in the United States, Canada or other countries, anti-terrorist efforts and other armed conflicts involving the United States, Canada or other countries, including continued hostilities in the Middle East, may adversely affect the United States, Canada and global economies and could prevent us from meeting our financial and other obligations. Additionally, destructive forms of protest and opposition by extremists and other disruptions, including acts of sabotage or eco-terrorism, against oil and natural gas development and production activities could potentially result in personal injury to persons, damages to property, natural resources or the environment, or lead to extended interruptions of our or our clients' operations. If any of these events occur, the resulting political instability and societal disruption could reduce overall demand for oil and gas, potentially putting downward pressure on demand for our services and causing a reduction in our revenues. Oil and gas related facilities could be direct targets of terrorist attacks, and our operations could be adversely impacted if infrastructure integral to our customers' operations is destroyed or damaged. Costs for insurance and other security may increase as a result of these threats, and some insurance coverage may become more difficult to obtain, if available at all.

We engage in transactions with related parties and such transactions present possible conflicts of interest that could have an adverse effect on us.

We have historically entered into a number of transactions with related parties. Related party transactions create the possibility of conflicts of interest with regard to our management. Such a conflict could cause an individual in our management to seek to advance his or her economic interests above ours. Further, the appearance of conflicts of interest created by related party transactions could impair the confidence of our investors. Our board of directors regularly reviews these transactions. Notwithstanding this, it is possible that a conflict of interest could have a material adverse effect on our liquidity, results of operations and financial condition.

The adoption of more stringent trucking legislation or regulations may increase our costs and could have an adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

In connection with the services we provide in the United States and Canada, we operate as a motor carrier and therefore are subject to regulation by the U.S. DOT and analogous U.S. state agencies, and by Transport Canada and analogous provincial agencies. These regulatory authorities exercise broad powers, governing activities such as the authorization to engage in motor carrier operations and regulatory safety. There are additional regulations specifically relating to the trucking industry, including testing and specification of equipment and product handling requirements. The trucking industry is subject to possible legislative and regulatory changes that may affect the economics of the industry by requiring changes in operating practices or by changing the demand for common or contract carrier services or the cost of providing truckload services. Some of these possible changes include increasingly stringent environmental regulations and changes in the regulations that govern the amount of time a driver may drive in any specific period, onboard black box recorder devices or limits on vehicle weight and size.

In the United States, interstate motor carrier operations are subject to safety requirements developed and implemented by the U.S. DOT. Intrastate motor carrier operations often are subject to state safety regulations that mirror federal regulations. Such matters as weight and dimension of equipment are also subject to federal and state laws and regulations. In Canada, as the Canadian government continues to develop and propose regulations relating to fuel quality, engine efficiency and GHG emissions, we may experience an increase in costs related to truck purchases and maintenance, impairment of equipment productivity, a decrease in the residual value of vehicles, unpredictable fluctuations in fuel prices and an increase in operating expenses. Increased truck traffic may contribute to deteriorating

road conditions in some areas where our operations are performed. Our operations, including routing and weight restrictions, could be affected by road construction, road repairs, detours and state and local regulations and ordinances restricting access to certain roads. In addition, proposals to increase taxes, including taxes on motor fuels, are also made from time to time, and any such increase would increase our operating costs. Also, local regulation of permitted routes and times on specific roadways could adversely affect our operations. We cannot predict whether, or in what form, any legislative or regulatory changes or municipal ordinances applicable to our logistics operations will be enacted and to what extent any such legislation or regulations could increase our costs or otherwise adversely affect our business or operations.

From time to time, various legislative proposals are introduced, including proposals to increase federal, state or local taxes, including taxes on motor fuels, which may increase our costs or adversely affect the recruitment of drivers. Management cannot predict whether, or in what form, any increase in such taxes applicable to us will be enacted. We may be required to increase operating expenses or capital expenditures in order to comply with any new laws, regulations or other restrictions.

Disruptions in the transportation services of trucking companies transporting wastewater and other oilfield products could have an adverse effect on our results.

We use trucks to transport some produced water to our wastewater disposal facilities, as well as to transport sand in the Rockies and Bakken areas. In recent years, certain states, such as North Dakota and Texas, and state counties have increased enforcement of weight limits on trucks used to transport raw materials on their public roads. It is possible that the states, counties and cities in which we operate our business may modify their laws to further reduce truck weight limits or impose curfews or other restrictions on the use of roadways. Such legislation and enforcement efforts could result in delays in, and increased costs to, transport produced water to our wastewater disposal facilities or to transport sand, which may either increase our operating costs or reduce the amount of produced water transported to our facilities or sand hauled for our customers. Such developments could decrease our operating margins or amounts of produced water or sand and thereby have a material adverse effect on our results of operations and financial condition.

A significant increase in fuel prices may adversely affect our transportation costs, which could have a material adverse effect on our results of operations and financial condition.

Fuel is one of our significant operating expenses, and a significant increase in fuel prices could result in increased transportation costs. The price and supply of fuel is unpredictable and fluctuates based on events such as geopolitical developments, supply and demand for oil and gas, actions by oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and weather concerns. A significant increase in fuel prices could increase the price of, and therefore reduce demand for, our services, which could affect our results of operations and financial condition.

Our Canadian operations subject us to currency translation risk, which could cause our results of operations and financial condition to fluctuate significantly from period to period.

A portion of our revenue is derived from our Canadian activities and operations. As a result, we translate the results of our operations and financial condition of our Canadian operations into U.S. dollars. Therefore, our reported results of operations and financial condition are subject to changes in the exchange rate between the two currencies. Fluctuations in foreign currency exchange rates could affect our revenue, expenses and operating margins. Currently, we do not hedge our exposure to changes in foreign exchange rates.

Risks Related to our Class A Common Stock

We do not expect to pay any dividends to the holders of the Class A common stock in the near future and the availability and timing of future dividends, if any, is uncertain.

We currently intend to retain future earnings, if any, to finance the expansion of our business, including the repayment of our debt, and do not expect to declare or pay any dividends on our Class A common stock in the near future. Our Credit Agreement places certain restrictions on the ability of us and our subsidiaries to pay dividends. Consequently, your only opportunity to achieve a return on your investment in us will be if you sell your Class A common stock at a price greater than you paid for it. There is no guarantee that the price of our Class A common stock that will prevail in the market will ever exceed the price that you pay. We may amend our Credit Agreement or enter into new debt arrangements that also prohibit or restrict our ability to pay dividends on our Class A common stock.

Subject to such restrictions, our board of directors will determine the amount and timing of stockholder dividends, if any, that we may pay in future periods. In making this determination, our directors will consider all relevant factors, including the amount of cash available for dividends, capital expenditures, covenants, prohibitions or limitations with respect to dividends, applicable law, general operational requirements and other variables. We cannot predict the amount or timing of any future dividends you may receive, and if we do commence the payment of dividends, we may be unable to pay, maintain or increase dividends over time. Therefore, you may not be able to realize any return on your investment in our Class A common stock for an extended period of time, if at all. Please read “Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities—Dividend Policy.”

If we fail to maintain and enhance an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential stockholders could lose confidence in our financial reporting, which would harm our business and the trading price of our Class A common stock.

Effective internal controls are necessary for us to provide reliable financial reports, prevent fraud and operate successfully as a public company. We are subject to Section 404 of the Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley”) and therefore are required to make a formal assessment of the effectiveness of our internal controls over financial reporting for that purpose. We cannot be certain that our efforts to maintain and enhance our internal controls will be successful, that we will be able to maintain adequate controls over our financial processes and reporting in the future or that we will be able to comply with our obligations under Sections 302 and 404 of Sarbanes-Oxley. Any failure to maintain effective internal controls, or difficulties encountered in implementing or improving our internal controls, could harm our operating results or cause us to fail to meet our reporting obligations. Ineffective internal controls could also cause investors to lose confidence in our reported financial information, which would likely have a negative effect on the trading price of our Class A common stock.

We have identified material weaknesses in our internal control over financial reporting and may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our financial statements or cause us to fail to meet our periodic reporting obligations.

In connection with a review of our financial statements for the year ended December 31, 2018, we identified material weaknesses in our internal control over the reporting related to the purchase price accounting for the Rockwater Merger and the reconciliation of our fixed assets physical counts with the general ledger. A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The material weaknesses identified relate to the purchase price accounting for the Rockwater Merger, specifically to the identification and substantiation of fixed assets acquired therein and the reconciliation of our fixed assets physical counts with the general ledger. We did not design and maintain adequate controls with respect to the

identification and substantiation of fixed assets purchased in the Rockwater Merger and the reconciliation of our fixed assets physical counts with the general ledger.

Although these material weaknesses did not result in a material misstatement to our consolidated financial statements for the year ended December 31, 2018, these material weaknesses could result in a misstatement of fixed assets, goodwill, depreciation expense or loss on disposition of assets that could result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

In early 2019, we began taking steps to implement controls to remediate the material weaknesses, including the design and implementation of new controls related to the identification and substantiation of fixed assets purchased from third parties.

The material weaknesses described above or any newly identified material weakness could limit our ability to prevent or detect a misstatement of our accounts or disclosures that could result in a material misstatement of our annual or interim financial statements. We cannot assure you that the measures we have taken to date, or any measures we may take in the future, will be sufficient to remediate the control deficiencies that led to the material weaknesses in our internal control over financial reporting described above or to avoid potential future material weaknesses.

Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. If we are unable to successfully remediate our existing or any future material weakness in our internal control over financial reporting, or identify any additional material weaknesses that may exist, the accuracy and timing of our financial reporting may be adversely affected, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports in addition to applicable stock exchange listing requirements, we may be unable to prevent fraud, investors may lose confidence in our financial reporting, and our stock price may decline as a result.

Future sales of our equity securities, or the perception that such sales may occur, may depress our share price, and any additional capital raised through the sale of equity or convertible securities may dilute your ownership in us.

Subject to certain limitations and exceptions, SES Legacy Holdings, LLC (“Legacy Owner Holdco”) and its permitted transferees may exchange their SES Holdings LLC Units (together with a corresponding number of shares of Class B common stock) for shares of Class A common stock (on a one-for-one basis, subject to conversion rate adjustments for stock splits, stock dividends and reclassification and other similar transactions) and then sell those shares of Class A common stock. Additionally, we may in the future issue our previously authorized and unissued securities. We are authorized to issue 350 million shares of Class A common stock, 40 million shares of Class A-2 common stock, 150 million shares of Class B common stock and 50 million shares of preferred stock with such designations, preferences and rights as determined by our board of directors. The potential issuance of such additional shares of equity securities will result in the dilution of the ownership interests of the holders of our Class A common stock and may create downward pressure on the trading price, if any, of our Class A common stock.

In addition, Legacy Owner Holdco, Crestview Partners II SES Investment B, LLC, the SCF Group (as defined below) and WDC Aggregate LLC (collectively, the “Registration Rights Holders”), who collectively own in excess of 42.0 million shares of our common stock, are party to a registration rights agreement which provides, among other things, for parties to that agreement initiate or participate in an underwritten public offering of all or a portion of their shares. Parties to such registration rights agreement may exercise their rights under such agreement in their sole discretion, and sales pursuant to such rights may be material in amount and occur at any time.

The sales of substantial amounts of our Class A common stock following the effectiveness of registration statements for the benefit of such holders, or the perception that these sales may occur, could cause the market price of our Class A common stock to decline and impair our ability to raise capital. We also may grant additional registration rights in connection with any future issuance of our capital stock.

We cannot predict the size of future issuances of our Class A common stock or securities convertible into Class A common stock or the effect, if any, that future issuances and sales of shares of our Class A common stock will have on

the market price of our Class A common stock. Sales of substantial amounts of our Class A common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices of our Class A common stock.

If securities or industry analysts do not publish research or reports about our business, if they adversely change their recommendations regarding our Class A common stock or if our operating results do not meet their expectations, the share price for our Class A common stock could decline.

The trading market for our Class A common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause the price or trading volume of our Class A common stock to decline. Moreover, if one or more of the analysts who cover us downgrade our Class A common stock or if our operating results do not meet their expectations, the share price of our Class A common stock could decline.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws and Delaware law may discourage a takeover attempt even if a takeover might be beneficial to our stockholders.

Provisions contained in our Third Amended and Restated Certificate of Incorporation and our Amended and Restated Bylaws, which we refer to herein as our “amended and restated certificate of incorporation” and “amended and restated bylaws,” respectively, could make it more difficult for a third party to acquire us. Provisions of our amended and restated certificate of incorporation and amended and restated bylaws impose various procedural and other requirements, which could make it more difficult for stockholders to effect certain corporate actions. For example, our amended and restated certificate of incorporation authorizes our board of directors to determine the rights, preferences, privileges and restrictions of unissued series of preferred stock without any vote or action by our stockholders. Thus, our board of directors can authorize and issue shares of preferred stock with voting or conversion rights that could adversely affect the voting or other rights of holders of our capital stock. These rights may have the effect of delaying or deterring a change of control of our company. Additionally, our amended and restated bylaws establish limitations on the removal of directors and on the ability of our stockholders to call special meetings and include advance notice requirements for nominations for election to our board of directors and for proposing matters that can be acted upon at stockholder meetings. These provisions could limit the price that certain investors might be willing to pay in the future for shares of our Class A common stock.

In addition, certain change of control events have the effect of accelerating the payment due under our Tax Receivable Agreements (as defined herein), which could be substantial and accordingly serve as a disincentive to a potential acquirer of our company. See “—Risks Related to Our Organizational Structure—In certain cases, payments under the Tax Receivable Agreements may be accelerated and/or significantly exceed the actual benefits, if any, we realize in respect of the tax attributes subject to the Tax Receivable Agreements.”

Legacy Owner Holdco controls a significant percentage of our voting power.

Legacy Owner Holdco beneficially owns 100% of our Class B common stock which represents approximately 24.8% of our outstanding voting capital stock. In addition, certain of our directors are currently employed by Crestview Advisors, L.L.C. (“Crestview Partners”), our private equity sponsor and, through Crestview Partners II GP, L.P. (“Crestview GP”), the manager of funds that hold the largest equity interest in Legacy Owner Holdco. Other funds controlled by Crestview GP also have an interest in our currently outstanding shares of our Class A common stock, representing an additional 3.6% of our outstanding voting capital. Collectively, these holders control approximately 28.4% of our voting shares. Holders of Class A common stock and Class B common stock generally will vote together as a single class on all matters presented to our stockholders for their vote or approval. Consequently, Legacy Owner Holdco will be able to significantly influence all matters that require approval by our stockholders, including the election and removal of directors, changes to our organizational documents and approval of acquisition offers and other significant corporate transactions, regardless of whether other stockholders believe that a transaction is in their own best interests. This concentration of ownership will limit your ability to influence corporate matters, and as a result, actions may be taken that you may not view as beneficial.

Our amended and restated certificate of incorporation contains a provision renouncing our interest and expectancy in certain corporate opportunities, which could adversely affect our business or prospects.

Our amended and restated certificate of incorporation provides that, to the fullest extent permitted by applicable law, we renounce any interest or expectancy in any business opportunity that involves any aspect of the energy business or industry and that may be from time to time presented to any member of (i) Legacy Owner Holdco; Crestview Partners II SES Investment, LLC (“Crestview Holdings A”); any funds, limited partnerships or other investment entities or vehicles managed by Crestview Partners or controlled by Crestview GP; B-29 Investments, LP; Sunray Capital, LP; Proactive Investments, LP and their respective affiliates, other than us (collectively, the “SES Group”); (ii) SCF-VI, L.P., SCF-VII, L.P. and SCF-VII(A), L.P. and their respective affiliates, other than us (collectively, the “SCF Group”); (iii) the other entities (existing and future) that participate in the energy industry and in which the SES Group and SCF Group own substantial equity interests (the “Portfolio Companies”) or (iv) any director or officer of the corporation who is also an employee, partner, member, manager, officer or director of any member of the SES Group, the SCF Group or the Portfolio Companies, including our Executive Chairman, John D. Schmitz, our director, David C. Baldwin, and our Executive Vice President, Business Strategy, Cody Ortowski, even if the opportunity is one that we might reasonably have pursued or had the ability or desire to pursue if granted the opportunity to do so. Mr. Schmitz controls both B-29 Investments, LP and Sunray Capital, LP and is a direct and indirect beneficiary of these provisions in our amended and restated certificate of incorporation. Our amended and restated certificate of incorporation further provides that no such person or party shall be liable to us by reason of the fact that such person pursues any such business opportunity, or fails to offer any such business opportunity to us.

As a result, any member of the SES Group, SCF Group or the Portfolio Companies or any director or officer of the corporation who is also an employee, partner, member, manager, officer or director of any member of the SES Group, SCF Group or the Portfolio Companies may become aware, from time to time, of certain business opportunities, such as acquisition opportunities, and may direct such opportunities to other businesses in which they have invested, in which case we may not become aware of or otherwise have the ability to pursue such opportunity. Further, such businesses may choose to compete with us for these opportunities. As a result, by renouncing our interest and expectancy in any business opportunity that may be from time to time presented to any member of the SES Group, SCF Group or the Portfolio Companies or any director or officer of the corporation who is also an employee, partner, member, manager, officer or director of any member of the SES Group, SCF Group or the Portfolio Companies, our business or prospects could be adversely affected if attractive business opportunities are procured by such parties for their own benefit rather than for ours. See “Item 13. Certain Relationships and Related Transactions, and Director Independence.”

A significant reduction by Crestview GP or the SCF Group of either of their respective ownership interests in us could adversely affect us.

We believe that Crestview GP’s and the SCF Group’s beneficial ownership interests in us provides each with an economic incentive to assist us to be successful. Neither Crestview GP nor the SCF Group is subject to any obligation to maintain its ownership interest in us and either may elect at any time to sell all or a substantial portion of or otherwise reduce its ownership interest in us. If either Crestview GP or the SCF Group sells all or a substantial portion of its ownership interest in us, it may have less incentive to assist in our success and its affiliate(s) that are expected to serve as members of our board of directors may resign. Such actions could adversely affect our ability to successfully implement our business strategies which could adversely affect our cash flows or results of operations.

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

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

specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred stock could affect the residual value of the Class A common stock.

Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.

Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by applicable law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our stockholders, (iii) any action asserting a claim against us or any director or officer or other employee or agent of ours arising pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws, or (iv) any action asserting a claim against us or any director or officer or other employee or agent of ours that is governed by the internal affairs doctrine, in each such case subject to such Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein. To the fullest extent permitted by law, any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of, and consented to, the provisions of our amended and restated certificate of incorporation described in the preceding sentence. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits against us and such persons. Alternatively, if a court were to find these provisions of our amended and restated certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

Risks Related to Our Organizational Structure

We are a holding company. Our sole material asset is our equity interest in SES Holdings, and accordingly, we are dependent upon distributions and payments from SES Holdings to pay taxes, make payments under the Tax Receivable Agreements and cover our corporate and other overhead expenses.

We are a holding company and have no material assets other than our equity interest in SES Holdings. We have no independent means of generating revenue. To the extent SES Holdings has available cash, we intend to cause SES Holdings to make (i) generally pro rata distributions to its unitholders, including us, in an amount at least sufficient to allow us to pay our taxes and to make payments under the Tax Receivable Agreements that we entered into in connection with our restructuring at the Select 144A Offering and any subsequent tax receivable agreements that we may enter into in connection with future acquisitions and (ii) non-pro rata payments to us to reimburse us for our corporate and other overhead expenses. We will be limited, however, in our ability to cause SES Holdings and its subsidiaries to make these and other distributions or payments to us due to certain limitations, including the restrictions under our Credit Agreement and the cash requirements and financial condition of SES Holdings. To the extent that we need funds and SES Holdings or its subsidiaries are restricted from making such distributions or payments under applicable law or regulations or under the terms of their financing arrangements or are otherwise unable to provide such funds, our liquidity and financial condition could be adversely affected.

We will be required to make payments under the Tax Receivable Agreements for certain tax benefits we may claim, and the amounts of such payments could be significant.

In connection with our restructuring at the Select 144A Offering, we entered into two tax receivable agreements (the "Tax Receivable Agreements") with certain affiliates of the then-holders of SES Holdings LLC Units (each such person and any permitted transferee thereof, a "TRA Holder," and together, the "TRA Holders") which generally provide for the payment by us to the TRA Holders of 85% of the net cash savings, if any, in U.S. federal, state and local income and franchise tax that we actually realize (computed using simplifying assumptions to address the impact of state and local taxes) or are deemed to realize in certain circumstances as a result of certain tax basis increases, net operating

losses available to us as a result of certain reorganization transactions entered into in connection with the Select 144A Offering, and certain tax benefits attributable to imputed interest. We will retain the benefit of the remaining 15% of these cash savings.

The term of each Tax Receivable Agreement commenced upon the completion of the Select 144A Offering and will continue until all tax benefits that are subject to such Tax Receivable Agreement have been utilized or expired, unless we exercise our right to terminate the Tax Receivable Agreements (or the Tax Receivable Agreements are terminated due to other circumstances, including our breach of a material obligation thereunder or certain mergers or other changes of control) and we make the termination payment specified in the Tax Receivable Agreements. In addition, payments we make under the Tax Receivable Agreements will be increased by any interest accrued from the due date (without extensions) of the corresponding tax return. In the event that the Tax Receivable Agreements are not terminated and we have sufficient taxable income to utilize all of the tax benefits subject to the Tax Receivable Agreements, the payments due under the Tax Receivable Agreement entered into with Legacy Owner Holdco and Crestview GP are expected to commence in late 2018 and to continue for 20 years after the date of the last exchange of SES Holdings LLC Units, and the payments due under the Tax Receivable Agreement entered into with an affiliate of the Contributing Legacy Owners are expected to commence in late 2019 and to continue for 25 taxable years following the Select 144A Offering.

The payment obligations under the Tax Receivable Agreements are our obligations and not obligations of SES Holdings, and we expect that the payments we will be required to make under the Tax Receivable Agreements will be substantial. Estimating the amount and timing of payments that may become due under the Tax Receivable Agreements is by its nature imprecise. For purposes of the Tax Receivable Agreements, cash savings in tax generally will be calculated by comparing our actual tax liability (using the actual applicable U.S. federal income tax rate and an assumed combined state and local income and franchise tax rate) to the amount we would have been required to pay had we not been able to utilize any of the tax benefits subject to the Tax Receivable Agreements. The amounts payable, as well as the timing of any payments, under the Tax Receivable Agreements are dependent upon future events and significant assumptions, including the timing of the exchanges of SES Holdings LLC Units, the market price of our Class A common stock at the time of each exchange (since such market price will determine the amount of tax basis increases resulting from the exchange), the extent to which such exchanges are taxable transactions, the amount of the exchanging unitholder's tax basis in its SES Holdings LLC Units at the time of the relevant exchange, the depreciation and amortization periods that apply to the increase in tax basis, the amount of net operating losses available to us as a result of reorganization transactions entered into in connection with the Select 144A Offering, the amount and timing of taxable income we generate in the future, the U.S. federal income tax rate then applicable, and the portion of our payments under the Tax Receivable Agreements that constitute imputed interest or give rise to depreciable or amortizable tax basis.

Certain of the TRA Holders' rights under the Tax Receivable Agreements are transferable in connection with a permitted transfer of SES Holdings LLC Units or if the TRA Holder no longer holds SES Holdings LLC Units. The payments under the Tax Receivable Agreements are not conditioned upon the continued ownership interest in either SES Holdings or us of any holder of rights under the Tax Receivable Agreements. See "Item 13. Certain Relationships and Related Transactions, and Director Independence."

In certain cases, payments under the Tax Receivable Agreements may be accelerated and/or significantly exceed the actual benefits, if any, we realize in respect of the tax attributes subject to the Tax Receivable Agreements.

If we elect to terminate the Tax Receivable Agreements early or they are terminated early due to our failure to honor a material obligation thereunder or due to certain mergers, asset sales, other forms of business combinations or other changes of control, our obligations under the Tax Receivable Agreements would accelerate and we would be required to make an immediate payment equal to the present value of the anticipated future payments to be made by us under the Tax Receivable Agreements (determined by applying a discount rate of the lesser of 6.50% per annum, compounded annually, or one-year London Interbank Offered Rate ("LIBOR") plus 100 basis points); and such payment is expected to be substantial. The calculation of anticipated future payments will be based upon certain assumptions and deemed events set forth in the Tax Receivable Agreements, including (i) the assumption that we have sufficient taxable income to fully utilize the tax benefits covered by the Tax Receivable Agreements, (ii) the assumption that any SES

Holdings LLC Units (other than those held by us) outstanding on the termination date are exchanged on the termination date and (iii) certain loss or credit carryovers will be utilized in the taxable year that includes the termination date. Any early termination payment may be made significantly in advance of the actual realization, if any, of the future tax benefits to which the termination payment relates.

As a result of either an early termination or a “change of control” (as defined in the Tax Receivable Agreements, as amended), we could be required to make payments under the Tax Receivable Agreements that exceed our actual cash tax savings under the Tax Receivable Agreements. In these situations, our obligations under the Tax Receivable Agreements could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales or other forms of business combinations or changes of control. For example, if the Tax Receivable Agreements were terminated on December 31, 2018, the estimated termination payments would have been approximately \$50.9 million (calculated using a discount rate equal to the lesser of 6.50% per annum, compounded annually, or one-year LIBOR plus 100 basis points, applied against an undiscounted liability of \$71.9 million, based upon the last reported closing sale price of our Class A common stock on December 31, 2018) in the aggregate. The foregoing number is merely an estimate and the actual payment could differ materially. There can be no assurance that we will be able to finance our obligations under the Tax Receivable Agreements.

Payments under the Tax Receivable Agreements will be based on the tax reporting positions that we will determine. The TRA Holders will not reimburse us for any payments previously made under the Tax Receivable Agreements if any tax benefits that have given rise to payments under the Tax Receivable Agreements are subsequently disallowed, except that excess payments made to the TRA Holders will be netted against payments that would otherwise be made to the TRA Holders, if any, after our determination of such excess. As a result, in such circumstances, we could make payments that are greater than our actual cash tax savings, if any, and may not be able to recoup those payments, which could adversely affect our liquidity. See “Item 13. Certain Relationships and Related Transactions, and Director Independence.”

If SES Holdings were to become a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes, we and SES Holdings might be subject to potentially significant tax inefficiencies, and we would not be able to recover payments previously made by us under the Tax Receivable Agreements even if the corresponding tax benefits were subsequently determined to have been unavailable due to such status.

We intend to operate such that SES Holdings does not become a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes. A “publicly traded partnership” is a partnership, the interests of which are traded on an established securities market or are readily tradable on a secondary market or the substantial equivalent thereof. Under certain circumstances, exchanges of SES Holdings LLC Units for shares of our Class A common stock or cash pursuant to the Eighth Amended and Restated Limited Liability Company Agreement of SES Holdings (the “SES Holdings LLC Agreement”) or other transfers of SES Holdings LLC Units could cause SES Holdings to be treated as a publicly traded partnership. Applicable U.S. Treasury regulations provide for certain safe harbors from treatment as a publicly traded partnership, and we intend to operate such that exchanges or other transfers of SES Holdings LLC Units qualify for one or more such safe harbors. For example, we intend to limit the number of unitholders of SES Holdings and Legacy Owner Holdco, and the SES Holdings LLC Agreement provides for limitations on the ability of unitholders of SES Holdings to transfer their SES Holdings LLC Units and will provide us, as managing member of SES Holdings, with the right to impose restrictions (in addition to those already in place) on the ability of unitholders of SES Holdings to exchange their SES Holdings LLC Units pursuant to the SES Holdings LLC Agreement to the extent we believe it is necessary to ensure that SES Holdings will continue to be treated as a partnership for U.S. federal income tax purposes. If SES Holdings were to become a publicly traded partnership, significant tax inefficiencies might result for us and for SES Holdings. In addition, we may not be able to realize tax benefits covered under the Tax Receivable Agreements, and we would not be able to recover any payments previously made by us under the Tax Receivable Agreements, even if

the corresponding tax benefits (including any claimed increase in the tax basis of SES Holdings' assets) were subsequently determined to have been unavailable.

Legacy Owner Holdco and the Legacy Owners may have interests that conflict with holders of shares of our Class A common stock.

Legacy Owner Holdco owns approximately 24.8% of the outstanding SES Holdings LLC Units. Because it holds a portion of its ownership interest in our business in the form of direct ownership interests in SES Holdings rather than through us, Legacy Owner Holdco may have conflicting interests with holders of shares of Class A common stock. For example, Legacy Owner Holdco may have different tax positions from us, and decisions we make in the course of running our business, such as with respect to mergers, asset sales, other forms of business combinations or other changes in control, may affect the timing and amount of payments that are received by the TRA Holders under the Tax Receivable Agreements. See "Item 13. Certain Relationships and Related Transactions, and Director Independence."

Our ability to use Rockwater's net operating loss carryforwards may be limited.

As of December 31, 2018, Rockwater had approximately \$105.1 million of U.S. federal net operating loss carryforwards ("NOLs"), which will begin to expire in 2035, approximately \$62.6 million of state NOLs which will begin to expire in 2023, and approximately \$10.8 million of foreign NOLs, which will begin to expire in 2037. Utilization of these NOLs depends on many factors, including our future income, which cannot be assured. In addition, Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), generally imposes an annual limitation on the amount of NOLs that may be used to offset taxable income when a corporation has undergone an "ownership change" (as determined under Section 382 of the Code). An ownership change generally occurs if one or more stockholders (or groups of stockholders) who are each deemed to own at least 5% of the relevant corporation's stock change their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. In the event that an ownership change has occurred, or were to occur, utilization of the NOLs would be subject to an annual limitation under Section 382 of the Code, determined by multiplying the value of the relevant corporation's stock at the time of the ownership change by the applicable long-term tax-exempt rate as defined in Section 382 of the Code, and potentially increased for certain gains recognized within five years after the ownership change if we have a net built-in gain in our assets at the time of the ownership change. Any unused annual limitation may be carried over to later years until they expire. Rockwater experienced an ownership change in connection with the Rockwater Merger. As a result, some or all of our U.S. federal, state or foreign NOLs could expire before they can be used. In addition, future ownership changes or changes to the U.S. tax laws could limit our ability to utilize our NOLs. To the extent we are not able to offset our future income with our NOLs, this would adversely affect our operating results and cash flows if we attain profitability.

Final regulations relating to and interpretations of provisions of the Tax Cuts and Jobs Act may vary from our current interpretation of such legislation.

The U.S. federal income tax legislation enacted in Public Law No. 115-97, commonly referred to as the Tax Cuts and Jobs Act, is highly complex and subject to interpretation. The presentation of our financial condition and results of operations is based upon our current interpretation of the provisions contained in the Tax Cuts and Jobs Act. In the future, the Treasury Department and the Internal Revenue Service are expected to issue final regulations and additional interpretive guidance with respect to the provisions of the Tax Cuts and Jobs Act. Any significant variance of our current interpretation of such provisions from any future final regulations or interpretive guidance could result in a change to the presentation of our financial condition and results of operations and could negatively affect our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease space for our principal executive offices in Houston, Texas and we also lease local office space in the regions in which we operate. Additionally, we own and lease numerous, storage facilities, trucking facilities and sales and administrative offices throughout the geographic areas in which we operate. In connection with our Oilfield Chemicals segment, we own and lease two primary manufacturing facilities in Texas, one primary manufacturing facility in Oklahoma, and six regional distribution centers to provide products to our customers in all major U.S. shale basins. Our leased properties are subject to various lease terms and expirations

We believe all the properties that we currently occupy are suitable for their intended uses. We believe that our current facilities are sufficient to conduct our operations. However, we continue to evaluate the purchase or lease of additional properties or the sale or consolidation of our properties, as our business requires.

The following tables show our active owned and leased properties categorized by geographic region and segment as of December 31, 2018:

Region	Office, Repair & Service and Other	Manufacturing	Operational Field Services Facilities	Total
United States				
Owned	1	3	28	32
Leased	20	—	65	85
Canada				
Leased	—	—	11	11
Total	21	3	104	128

Region	Water	Chemicals	Wellsite	Corporate	Total
United States					
Owned	20	12	—	—	32
Leased	59	14	10	2	85
Canada					
Leased	—	—	11	—	11
	79	26	21	2	128

ITEM 3. LEGAL PROCEEDINGS

We are not currently a party to any legal proceedings that, if determined adversely against us, individually or in the aggregate, would have a material adverse effect on our financial position, results of operations or cash flows. We are, however, named defendants in certain lawsuits, investigations and claims arising in the ordinary course of conducting our business, including certain environmental claims and employee-related matters, and we expect that we will be named defendants in similar lawsuits, investigations and claims in the future. While the outcome of these lawsuits, investigations and claims cannot be predicted with certainty, we do not expect these matters to have a material adverse impact on our business, results of operations, cash flows or financial condition. We have not assumed any liabilities arising out of these existing lawsuits, investigations and claims.

In December 2016, Rockwater was notified by the U.S. Attorney’s Office for the Middle District of Pennsylvania that it is being investigated for altering emissions control systems on several of its vehicles. We are cooperating with the investigation and have determined that mechanics servicing our vehicle fleet may have installed software on certain vehicles and modified a few other vehicles to deactivate or bypass the factory-installed emissions control systems. At present, it appears that 31 vehicles in Pennsylvania were modified in this manner, apparently to improve vehicle performance and reliability. As a result of a company-wide investigation undertaken voluntarily and in cooperation with the U.S. Department of Justice, we have determined that approximately 30 additional company

vehicles outside of Pennsylvania may have been altered. As of the date of the initiation of the investigation, we operated approximately 1,400 vehicles in the U.S., and the modified vehicles constituted less than 5% of our fleet at such time. We are unable to predict at this time whether any administrative, civil or criminal charges will be brought against us, although we have learned that we may be the target of a criminal investigation, and it is possible that other individuals or we could become targets. We are cooperating with the U.S. Department of Justice in all aspects of the investigation and have instituted procedures to ensure that our mechanics do not tamper with or bypass any emissions control systems when they are performing vehicle maintenance, and we have also reached an agreement with the U.S. Department of Justice providing for either the restoration or removal from service of those vehicles that were modified. In December 2018, we met with the U.S. Attorney's Office for the Middle District of Pennsylvania to begin discussions regarding a resolution of this matter. Although we are unable to predict the timing or outcome of this investigation, we note that in similar circumstances, the EPA has imposed fines of up to \$7,200 per altered vehicle and has also required the responsible party to disgorge any financial benefit that it may have derived.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

PART II

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

Our Class A common stock is listed on the New York Stock Exchange (the "NYSE") under the ticker symbol "WTTR." As of February 25, 2019 there were 96 stockholders of record of our Class A common stock.

Dividend Policy

We have not paid dividends to holders of our Class A common stock. We do not anticipate declaring or paying any cash dividends to holders of our Class A common stock in the near future. We currently intend to retain future earnings, if any, to finance the expansion of our business and repay borrowings. Our future dividend policy is within the discretion of our board of directors and will depend upon then-existing conditions, including our results of operations and financial condition, capital requirements, business prospects, statutory and contractual restrictions on our ability to pay dividends, including restrictions contained in our Credit Agreement and other factors our board of directors may deem relevant.

Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

On October 31, 2017, following the distribution by Legacy Owner Holdco of SES Holdings LLC Units and shares of our Class B common stock in redemption of certain of its members (the “SES Redeemed Legacy Holders”), we exercised our right to require an exchange by such SES Redeemed Legacy Holders, pursuant to which SES Holdings distributed 2,487,029 shares of our Class A common stock to such SES Redeemed Legacy Holders in exchange for 2,487,029 SES Holdings LLC Units. This issuance of Class A common stock did not involve any underwriters, underwriting discounts or commissions or a public offering. We believe this issuance was exempt from registration pursuant to Section 4(a)(2) of the Securities Act. In connection with the exchange, 2,487,029 shares of Class B common stock were cancelled.

On November 1, 2017, in connection with the closing of the Rockwater Merger and pursuant to the Merger Agreement, we issued 26,246,115 shares of Class A common stock, 6,731,845 shares of Class A-2 common stock and 4,356,477 shares of Class B common stock (along with a corresponding number of SES Holdings LLC Units) to the former stockholders of Rockwater. At the same time, we issued approximately 37,334,437 SES Holdings LLC Units to the former holders of Rockwater LLC Units. These issuances of our common stock did not involve any underwriters, underwriting discounts or commissions or a public offering. We believe these issuances were exempt from registration pursuant to Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder based on representations to us from each former Rockwater stockholder to support such exemption, including with respect to each former Rockwater stockholder’s status as an “accredited investor” (as that term is defined in Rule 501(a) of Regulation D promulgated under Section 4(a)(2) of the Securities Act). The shares of Class A-2 common stock will automatically convert into shares of our Class A common stock on a one-for-one basis upon the effectiveness of a shelf registration statement registering such shares for resale. The shares of SES Holdings LLC Units (along with the corresponding number of Class B common stock) are convertible into shares of Class A common stock upon the satisfaction of certain conditions.

On January 24, 2018, the Company, pursuant to the Rockwater Registration Rights Agreement, filed with the SEC a shelf registration statement registering for resale of 6,653,777 shares of Class A common stock into which the outstanding shares of Class A-2 common stock registered under such registration statement were convertible. Pursuant to the Company’s Third Amended and Restated Certificate of Incorporation, upon the effectiveness of this registration statement on March 29, 2018, each outstanding share of Class A-2 common stock converted automatically into a share of Class A common stock on a one-for-one basis. No shares of Class A-2 common stock are currently outstanding. Additionally, during 2018, there were exchanges of 14,305,146 SES Holdings LLC Units (an equivalent number of shares of Class B common stock) into an equal number of shares of Class A common stock.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share ⁽¹⁾	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs ⁽²⁾
October 1 through October 31, 2018	—	\$ —	\$ —
November 1 through November 31, 2018	203,657	\$ 9.84	\$ 17,995,624
December 1 through December 31, 2018	1,499,994	\$ 9.12	\$ —

- (1) The average price paid per share includes commissions.
- (2) On November 14, 2018, our board of directors approved a program permitting the Company to repurchase a portion of its outstanding shares of Class A common stock in the open market not to exceed \$20.0 million. This program expired, on December 15, 2018.

ITEM 6. SELECTED FINANCIAL DATA

The following table presents our selected historical data for the periods and as of the dates indicated. The statement of operations data for the years ended December 31, 2018, 2017, 2016 and 2015 and balance sheet data as of December 31, 2018 and 2017 were derived from our audited historical consolidated financial statements. The historical selected financial data should be read in conjunction with “*Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and the historical consolidated financial statements and related notes thereto included in “*Item 8. Financial Statements and Supplementary Data.*”

	Year Ended December 31,			
	2018	2017	2016	2015
	(in thousands)			
Revenue				
Water solutions and related services	\$ 1,145,733	\$ 546,043	\$ 241,455	\$ 427,496
Accommodations and rentals	66,744	53,888	27,151	52,948
Wellsite completion and construction services	56,662	50,974	33,793	55,133
Oilfield chemical product sales	259,791	41,586	—	—
Total revenue	1,528,930	692,491	302,399	535,577
Costs of revenue				
Water solutions and related services	873,413	411,215	200,399	332,411
Accommodations and rentals	44,115	41,885	22,019	37,957
Wellsite completion and construction services	48,929	42,942	29,089	48,356
Oilfield chemical product sales	233,454	37,024	—	—
Depreciation and amortization	130,537	101,645	95,020	104,608
Total costs of revenue	1,330,448	634,711	346,527	523,332
Gross profit (loss)	198,482	57,780	(44,128)	12,245
Operating expenses				
Selling, general and administrative	103,156	82,403	34,643	56,548
Depreciation and amortization	3,176	1,804	2,087	3,104
Impairment of goodwill	17,894	—	138,666	21,366
Impairment of property and equipment	6,657	—	60,026	—
Impairment of cost-method investment	2,000	—	—	—
Lease abandonment costs	3,925	3,572	19,423	—
Total operating expenses	136,808	87,779	254,845	81,018
Income (loss) from operations	61,674	(29,999)	(298,973)	(68,773)
Other income (expense)				
Interest expense, net	(5,311)	(6,629)	(16,128)	(13,689)
Foreign currency gain (loss), net	(1,292)	281	—	—
Other income, net	932	369	629	893
Income (loss) before tax expense	56,003	(35,978)	(314,472)	(81,569)
Income tax (expense) benefit	(1,704)	851	524	(324)
Net income (loss) from continuing operations	54,299	(35,127)	(313,948)	(81,893)
Net income from discontinued operations, net of tax	—	—	—	21
Net income (loss)	54,299	(35,127)	(313,948)	(81,872)
Less: net loss attributable to Predecessor	—	—	306,481	80,891
Less: net (income) loss attributable to noncontrolling interests	(17,787)	18,311	6,424	981
Net income (loss) attributable to Select Energy Services, Inc.	\$ 36,512	\$ (16,816)	\$ (1,043)	\$ —
Allocation of net income (loss) attributable to:				
Class A stockholders	\$ 35,720	\$ (12,560)	\$ (199)	
Class A-1 stockholders	—	(3,691)	(844)	
Class A-2 stockholders	792	(565)	—	
Class B stockholders	—	—	—	
	\$ 36,512	\$ (16,816)	\$ (1,043)	
Weighted average shares outstanding:				
Class A—Basic	72,403,318	24,612,853	3,802,972	
Class A-1—Basic	—	7,233,973	16,100,000	
Class A-2—Basic	1,604,575	1,106,605	—	

[Table of Contents](#)

Class B—Basic	31,986,438	38,768,156	38,462,541	
Class A—Diluted	72,642,147	24,612,853	3,802,972	
Class A-1—Diluted	—	7,233,973	16,100,000	
Class A-2—Diluted	1,604,575	1,106,605	—	
Class B—Diluted	31,986,438	38,768,156	38,462,541	
Net income (loss) per share attributable to common stockholders:				
Class A—Basic	\$ 0.49	\$ (0.51)	\$ (0.05)	
Class A-1—Basic	\$ —	\$ (0.51)	\$ (0.05)	
Class A-2—Basic	\$ 0.49	\$ (0.51)	\$ —	
Class B—Basic	\$ —	\$ —	\$ —	
Class A—Diluted	\$ 0.49	\$ (0.51)	\$ (0.05)	
Class A-1—Diluted	\$ —	\$ (0.51)	\$ (0.05)	
Class A-2—Diluted	\$ 0.49	\$ (0.51)	\$ —	
Class B—Diluted	\$ —	\$ —	\$ —	
Statement of Cash Flow Data:				
Net cash provided by (used in):				
Operating activities	\$ 232,409	\$ (2,899)	\$ 5,131	\$ 151,999
Investing activities	(168,361)	(156,731)	(26,955)	(38,703)
Financing activities	(49,293)	122,397	45,560	(107,348)
Balance Sheet Data (at period end):				
Cash and cash equivalents	\$ 17,237	\$ 2,774	\$ 40,041	\$ 16,305
Total assets	1,360,605	1,356,368	405,066	650,248
Long-term liabilities	70,113	107,806	23,974	256,923
Other Financial Data:				
			(unaudited)	
EBITDA ⁽¹⁾	\$ 195,027	\$ 74,100	\$ (201,237)	\$ 39,853
Adjusted EBITDA ⁽¹⁾	257,619	117,262	16,944	65,539

(1) EBITDA and Adjusted EBITDA are non-GAAP (as defined below) financial measures. We define EBITDA as net income/(loss), plus interest expense, income taxes, and depreciation and amortization. We define Adjusted EBITDA as EBITDA plus/(minus) loss/(income) from discontinued operations, plus any impairment charges or asset write-offs pursuant to accounting principles generally accepted in the United States (“GAAP”), plus/(minus) non-cash losses/(gains) on the sale of assets or subsidiaries, non-recurring compensation expense, non-cash compensation expense, and non-recurring or unusual expenses or charges, including severance expenses, transaction costs, or facilities-related exit and disposal-related expenditures, plus/(minus) foreign currency losses/(gains) and plus any inventory write-down. Our board of directors, management and investors use EBITDA and Adjusted EBITDA to assess our financial performance because it allows them to compare our operating performance on a consistent basis across periods by removing the effects of our capital structure (such as varying levels of interest expense), asset base (such as depreciation and amortization) and non-recurring items outside the control of our management team. We present EBITDA and Adjusted EBITDA because we believe they provide useful information regarding the factors and trends affecting our business in addition to measures calculated under GAAP.

EBITDA and Adjusted EBITDA each have limitations as an analytical tool and should not be considered as alternatives to net income, operating income, cash flow from operating activities or any other measure of financial performance presented in accordance with GAAP. Other companies in our industry may calculate EBITDA or Adjusted EBITDA differently, limiting its usefulness as a comparative measure.

[Table of Contents](#)

The following table shows a reconciliation of (i) EBITDA and Adjusted EBITDA, as applicable, to the most directly comparable GAAP measure, net loss.

	Year Ended December 31,			
	2018	2017	2016	2015
	(in thousands)			
Net income (loss)	\$ 54,299	\$ (35,127)	\$ (313,948)	\$ (81,872)
Interest expense	5,311	6,629	16,128	13,689
Income tax expense (benefit)	1,704	(851)	(524)	324
Depreciation and amortization	133,713	103,449	97,107	107,712
EBITDA	195,027	74,100	(201,237)	39,853
Net income from discontinued operations	—	—	—	(21)
Impairment of goodwill	17,894	—	138,666	21,366
Impairment of property and equipment	6,657	—	60,026	—
Impairment of cost-method investment	2,000	—	—	—
Lease abandonment costs	3,925	3,572	19,423	—
Non-recurring severance expenses ⁽¹⁾	1,220	4,161	886	3,200
Non-recurring transaction costs ⁽²⁾	7,809	10,179	(236)	2,790
Non-cash compensation expenses	10,371	7,691	(487)	(889)
Non-cash (gain) loss on sale of assets or subsidiaries	3,775	1,740	(97)	(760)
Non-recurring phantom equity and IPO-related compensation	—	12,537	—	—
Foreign currency (gain) loss	1,292	(281)	—	—
Inventory write-down	442	—	—	—
Non-recurring change in vacation policy ⁽³⁾	2,894	—	—	—
Other non-recurring charges	4,313	3,563	—	—
Adjusted EBITDA	\$ 257,619	\$ 117,262	\$ 16,944	\$ 65,539

- (1) For 2018, these costs are associated with severance incurred in connection with the retirement of our former Chief Administrative Officer as well as the termination of certain Canadian employees. For 2017, these costs are associated with severance incurred in connection with the Rockwater Merger. For 2016 and 2015, these costs are associated with the reduction in headcount as a result of the industry downturn.
- (2) For 2018, these costs are primarily related to the Rockwater Merger. For 2017, these costs are primarily associated with the Rockwater Merger and GRR Acquisition. For 2016 and 2015, these transaction costs are associated with our evaluation and negotiation of various transactions that never materialized.
- (3) For 2018, these costs represent a one-time accrual to allow for carryover of unused vacation. Previously, any unused vacation was forfeited at year-end.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes thereto in “Item 8. Financial Statements and Supplementary Data”. This discussion and analysis contains forward-looking statements based on our current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors as described under “Cautionary Note Regarding Forward-Looking Statements” and “Item 1A. Risk Factors.” We assume no obligation to update any of these forward-looking statements.

Overview

We are a leading provider of water-management solutions to the oil and gas industry in North America. We also develop, manufacture and deliver chemical solutions for use in oil and gas well completions and production operations. Within the major shale plays in the United States, we believe we are a market leader in water sourcing, water transfer (both by permanent pipeline and temporary hose) and temporary water containment prior to its use in drilling and completion activities associated with hydraulic fracture stimulation or “fracking,” which we refer to collectively as “pre-frac water services”. In addition, we provide testing and flowback services immediately following the well completion. In most of our areas of operations, we also provide additional complementary water-related services that support oil and gas well completion and production activities, including monitoring, treatment, hauling, water recycling and disposal. We also manufacture a full suite of specialty chemicals used in the fracturing process, and we provide chemicals needed by our customers to help increase oil and gas production and lower costs over the life of a well. We believe we are the only company in the oilfield services industry that combines water-management services with related chemical products.

We also offer wellsite services that complement our water-management and chemical solutions offerings. These services include equipment rentals, accommodations, crane and logistics services, wellsite and pipeline construction, field and well services, sand-hauling and fluid-logistics services. In addition, we provide water transfer, fluid hauling, containment and rental services in Canada.

Going forward, we may pursue selected, accretive acquisitions of complementary assets, businesses and technologies, and believe we are well positioned to capture attractive opportunities due to our market position, customer and landowner relationships and industry experience and expertise.

Pro Well Acquisition

On November 20, 2018 we completed our acquisition of the assets of Pro Well Testing and Wireline, Inc. for \$12.4 million, which was funded with cash on hand. This acquisition expanded our flowback footprint into New Mexico and added new strategic customers. The Pro Well assets acquired included \$6.6 million of property, plant and equipment infrastructure that supports current operations.

Rockwater Merger

On November 1, 2017, we completed the Rockwater Merger in which we combined with Rockwater. Rockwater was a provider of comprehensive water management solutions to the oil and gas industry in the United States and Canada. Rockwater and its subsidiaries provided water sourcing, transfer, testing, monitoring, treatment and storage; site and pit surveys; flowback and well testing; water reuse services; water testing; and fluids logistics. Rockwater also developed and manufactured a full suite of specialty chemicals used in well completions, and production chemicals used to enhance performance over the life of a well. The total consideration for the Rockwater Merger was \$620.2 million, in which we issued 25.9 million shares of our Class A common stock, 6.7 million shares of our Class A-2 common stock (which were subsequently converted into shares of Class A common stock in March 2018) and 4.4 million shares of our Class B common stock to the former holders of Rockwater common stock and a unit-for-unit transaction in which SES Holdings issued approximately 37.3 million SES Holdings LLC Units to the former holders of units in Rockwater LLC.

Resource Water Acquisition

On September 15, 2017, we completed our acquisition of Resource Water. Resource Water provides water transfer services to E&P operators in West Texas and East Texas. Resource Water's assets include 24 miles of layflat hose as well as numerous pumps and ancillary equipment required to support water transfer operations. Resource Water has longstanding customer relationships across its operating regions which are viewed as strategic to our water solutions business. The total consideration we paid for this acquisition was \$9.0 million, with \$6.6 million paid in cash and \$2.4 million paid in shares of Class A common stock valued at \$15.17 per share.

GRR Acquisition

On March 10, 2017, we completed our acquisition of the GRR Entities. The GRR Entities provide water and water-related services to E&P companies in the Permian Basin and own and have rights to a vast array of fresh, brackish and effluent water sources with access to significant volumes of water annually and water transport infrastructure, including over 900 miles of temporary and permanent pipeline infrastructure and related storage facilities and pumps, all located in the northern Delaware Basin portion of the Permian Basin. The total consideration we paid for this acquisition was \$59.6 million, with \$53.0 million paid in cash, \$5.5 million paid in shares of Class A common stock, and \$1.1 million in assumed tax liabilities to the sellers. We funded the cash portion of the consideration for the GRR Acquisition with \$19.0 million of cash on hand and \$34.0 million of borrowings under the Previous Credit Facility, which we repaid with a portion of the net proceeds of the IPO. We believe this acquisition has significantly enhanced our position in the northern Delaware region of the Permian Basin.

Our Segments

Our services are offered through three operating segments: (i) Water Solutions, (ii) Oilfield Chemicals and (iii) Wellsite Services.

- *Water Solutions.* Our Water Solutions segment is operated primarily under our subsidiary, Select LLC, and provides water-related services to customers that include major integrated oil companies and independent oil and natural gas producers. These services include: the sourcing of water; the transfer of the water to the wellsite through permanent pipeline infrastructure and temporary hose; the containment of fluids off- and on-location; measuring and monitoring of water; the filtering and treatment of fluids, well testing and handling of flowback and produced formation water; and the transportation and recycling or disposal of drilling, completion and production fluids.
- *Oilfield Chemicals.* Our Oilfield Chemicals segment is operated primarily under our subsidiary, Rockwater LLC. Under this segment, we develop, manufacture and provide a full suite of completion and production chemical products utilized in hydraulic fracturing, stimulation, cementing and related well completion processes. These products include polymers that create viscosity, crosslinkers, friction reducers, surfactants, buffers, breakers and other chemical technologies. Our customers for completion chemicals are primarily leading pressure pumping service companies in the United States. Our production chemicals are used by oil and gas companies to enhance well performance and reduce production costs throughout the life of a well.
- *Wellsite Services.* Our Wellsite Services segment provides a number of services across the U.S. and Canada and is operated primarily under our subsidiaries Peak, Affirm and Rockwater LLC. Peak provides workforce accommodations and surface rental equipment supporting drilling, completion and production operations to the U.S. onshore oil and gas industry. Affirm provides oil and gas operators with a variety of services, including crane and logistics services, wellsite and pipeline construction and field services. Operating under Rockwater LLC, we also offer sand hauling and logistics services in the Rockies and Bakken regions as well as water transfer, containment, fluid hauling and rental services in Canada.

How We Generate Revenue

We currently generate most of our revenue through our Water Solutions segment, specifically through our water-management services associated with hydraulic fracturing. We generate the majority of our revenue through customer agreements with fixed pricing terms and earn revenue when delivery of services is provided, generally at our customers' sites. While we have some long-term pricing arrangements, most of our water and water-related services are priced based on prevailing market conditions, giving due consideration to the specific requirements of the customer.

We also generate revenue through our Oilfield Chemicals segment, which provides completion, specialty chemicals and production chemicals, and our Wellsite Services segment, which provides workforce accommodations and related rentals; a variety of wellsite completion and construction services, including wellsite and pipeline construction, field and well services, and sand-hauling and fluid-logistics services. In addition, we provide water transfer, fluid hauling, containment and rental services in Canada. We invoice the majority of our Oilfield Chemicals customers for services provided under such segment based on the quantity of chemicals used or pursuant to short-term contracts as the customer's needs arise. We invoice the majority of our customers for services under our Wellsite Services segments on a per job basis or pursuant to short-term contracts as the customer's needs arise.

Costs of Conducting Our Business

The principal expenses involved in conducting our business are labor costs, equipment costs (including depreciation, repair, rental and maintenance and leasing costs), raw materials and water sourcing costs and fuel costs. Our fixed costs are relatively low and a large portion of the costs we incur in our business are only incurred when we provide water, water-related services, chemicals and chemical-related services to our customers.

Labor costs associated with our employees represent the most significant costs of our business. We incurred labor and labor-related costs of \$483.8 million, \$260.8 million and \$140.3 million for the years ended December 31, 2018, 2017 and 2016, respectively. Our labor costs for the year ended December 31, 2017 included \$12.5 million of non-recurring costs related to a payout on our phantom equity units and IPO bonuses. The majority of our recurring labor costs are variable and are incurred only while we are providing operational services. We also incur costs to employ personnel to sell and supervise our services and perform maintenance on our assets which are not directly tied to our level of business activity. Additionally, we incur selling, general and administrative costs for compensation of our administrative personnel at our field sites and in our operational and corporate headquarters.

We incur significant equipment costs in connection with the operation of our business, including depreciation, repair and maintenance, rental and leasing costs. We incurred equipment costs of \$282.5 million, \$161.6 million and \$111.8 million for the years ended December 31, 2018, 2017 and 2016, respectively. Our depreciation costs have increased as a result of the Rockwater Merger.

We incur significant transportation costs, associated with our service lines, including fuel and freight. We incurred fuel and freight costs of \$97.0 million, \$40.2 million and \$17.4 million for the years ended December 31, 2018, 2017 and 2016, respectively. Fuel prices impact our transportation costs, which affect the pricing and demand of our services and have an impact on our results of operations.

We incur raw material costs in manufacturing our chemical products, as well as water sourcing costs in connection with obtaining strategic and reliable water sources to provide repeatable water volumes to our customers. We incurred raw material costs, excluding water sourcing costs, of \$221.1 million, \$45.8 million and \$6.7 million for the years ended December 31, 2018, 2017 and 2016, respectively. We incurred water sourcing costs of \$62.1 million, \$44.1 million and \$21.9 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Public Company Costs

General and administrative expenses related to being a publicly traded company include: Exchange Act reporting expenses; expenses associated with compliance with Sarbanes-Oxley; expenses associated with maintaining our listing on the NYSE; incremental independent auditor fees; incremental legal fees; investor relations expenses; registrar and transfer agent fees; incremental director and officer liability insurance costs; and director compensation. We expect that general and administrative expenses related to being a publicly traded company will remain consistent with costs incurred during 2018. Costs incurred by us for corporate and other overhead expenses will be reimbursed by SES Holdings pursuant to the SES Holdings LLC Agreement.

How We Evaluate Our Operations

We use a variety of operational and financial metrics to assess our performance. Among other measures, management considers each of the following:

- Revenue;
- Gross Profit (Loss);
- Gross Margins;
- EBITDA;
- Adjusted EBITDA; and
- Return on Capital Employed.

Revenue

We analyze our revenue and assess our performance by comparing actual monthly revenue to our internal projections. We also assess incremental changes in revenue compared to incremental changes in direct operating costs, and selling, general and administrative expenses across our operating segments to identify potential areas for improvement, as well as to determine whether segments are meeting management's expectations.

Gross Profit (Loss)

To measure our financial performance, we analyze our gross profit (loss), which we define as revenues less direct operating expenses (including depreciation and amortization expenses). We believe gross profit is a meaningful metric because it provides insight into profitability and true operating performance based on the historical cost basis of our assets. We also compare gross profit (loss) to prior periods and across segments to identify trends as well as underperforming segments.

Gross Margins

Gross margins provide an important gauge of how effective we are at converting revenue into profits. This metric works in tandem with gross profit to ensure that we do not increase gross profit at the expense of lower margins, thus decreasing our return on capital employed, nor pursue higher gross margins exclusively at the expense of declining gross profits. We track gross margins by segment and service line, and compare them across prior periods and across segments and service lines to identify trends as well as underperforming segments.

EBITDA and Adjusted EBITDA

We view EBITDA and Adjusted EBITDA as important indicators of performance. We define EBITDA as net income/(loss), plus interest expense, income taxes, and depreciation and amortization. We define Adjusted EBITDA as

EBITDA plus/(minus) loss/(income) from discontinued operations, plus any impairment charges or asset write-offs pursuant to GAAP, plus/(minus) non-cash losses/(gains) on the sale of assets or subsidiaries, non-recurring compensation expense, non-cash compensation expense, and non-recurring or unusual expenses or charges, including severance expenses, transaction costs, or facilities-related exit and disposal-related expenditures, plus/(minus) foreign currency losses/(gains) and plus any inventory write-downs. See “—Comparison of Non-GAAP Financial Measures” for more information and a reconciliation of EBITDA and Adjusted EBITDA to net income (loss), the most directly comparable financial measure calculated and presented in accordance with GAAP.

Return on Capital Employed

We view Return on Capital Employed (“ROCE”) as a critical indicator of the overall value creation or value destruction effected by the Company and its component segments. Measuring our corporate ROCE versus our weighted-average cost of capital provides a barometer of this measure while analyzing our ROCE by segment is integral to our capital allocation process. Ultimately, we evaluate investment opportunities against a ROCE target based on the implied risk of the investment, while we also evaluate the ROCE of existing businesses and assets versus our perception of the ROCE we could achieve with new investment opportunities. We track this metric across prior periods and across segments to identify trends as well as underperforming segments.

Factors Affecting the Comparability of Our Results of Operations to Our Historical Results of Operations

Our future results of operations may not be comparable to our historical results of operations for the periods presented, primarily for the reasons described below.

Acquisition Activity

As described above, we are continuously evaluating potential investments, particularly in water transfer, infrastructure and other water-related services and technology. To the extent we consummate acquisitions, any incremental revenues or expenses from such transactions are not included in our historical results of operations.

Pro Well Acquisition

On November 20, 2018 we completed our acquisition of the assets of Pro Well Testing and Wireline, Inc. Our historical financial statements for periods prior to November 20, 2018 do not include the results of operations of Pro Well.

Rockwater Merger

On November 1, 2017, we completed the Rockwater Merger whereby we acquired the business, assets and operations of Rockwater. Our historical financial statements for periods prior to November 1, 2017 do not include the results of operations of Rockwater.

Resource Water Acquisition

On September 15, 2017, we completed our acquisition of Resource Water. Our historical financial statements for periods prior to September 15, 2017 do not include the results of operations of Resource Water.

GRR Acquisition

On March 10, 2017, we completed our acquisition of GRR Entities. Our historical financial statements for periods prior to March 10, 2017 do not include the results of operations of the GRR Entities.

Impact of Industry Conditions on Our Operating Results

Demand for oilfield services depends substantially on drilling, completion and production activity by E&P companies, which, in turn, depends largely upon the current and anticipated profitability of developing oil and natural gas reserves. Our business is directly affected by our customers' capital spending to explore for, develop and produce oil and gas in the United States and Canada. The significant decline in oil and gas prices that began in the fourth quarter of 2014 caused a reduction in the exploration, development and production activities of most of our customers and their spending on our services in 2015 and 2016, which led to a reduction in the rates we were able to charge and the utilization of our assets. In 2017 and through the third quarter of 2018, our clients steadily increased their spending as compared to 2016 levels, however, in the fourth quarter of 2018, we experienced a pullback in spending by our customers, driven by a decline in oil prices and seasonal factors. If oil and gas prices further decline, our customers may cancel or curtail their spending on our services. In the discussion of our operating results below, we reference the fluctuations in industry conditions in connection with certain changes in our results of operations.

Results of Operations

The following tables set forth our results of operations for the periods presented, including revenue by segment.

Year Ended December 31, 2018 Compared to the Year Ended December 31, 2017

	Year ended December 31,		Change	
	2018	2017	Dollars	Percentage
	(in thousands)			
Revenue				
Water solutions	\$ 1,060,154	\$ 528,309	\$ 531,845	100.7 %
Oilfield chemicals	259,791	41,586	218,205	524.7 %
Wellsite services	208,985	122,596	86,389	70.5 %
Total revenue	1,528,930	692,491	836,439	120.8 %
Costs of revenue				
Water solutions	797,502	395,887	401,615	101.4 %
Oilfield chemicals	233,454	37,024	196,430	530.5 %
Wellsite services	168,955	100,155	68,800	68.7 %
Depreciation and amortization	130,537	101,645	28,892	28.4 %
Total costs of revenue	1,330,448	634,711	695,737	109.6 %
Gross profit	198,482	57,780	140,702	243.5 %
Operating expenses				
Selling, general and administrative	103,156	82,403	20,753	25.2 %
Depreciation and amortization	3,176	1,804	1,372	76.1 %
Impairment of goodwill	17,894	—	17,894	NM
Impairment of property and equipment	6,657	—	6,657	NM
Impairment of cost-method investment	2,000	—	2,000	NM
Lease abandonment costs	3,925	3,572	353	9.9 %
Total operating expenses	136,808	87,779	49,029	55.9 %
Income (loss) from operations	61,674	(29,999)	91,673	305.6 %
Other income (expense)				
Interest expense, net	(5,311)	(6,629)	1,318	(19.9)%
Foreign currency gain (loss), net	(1,292)	281	(1,573)	NM
Other income, net	932	369	563	152.6 %
Income (loss) before tax benefit (expense)	56,003	(35,978)	91,981	255.7 %
Income tax (expense) benefit	(1,704)	851	(2,555)	NM
Net income (loss)	\$ 54,299	\$ (35,127)	\$ 89,426	254.6 %

Revenue

Our revenue increased \$836.4 million, or 120.8%, to \$1,528.9 million for the year ended December 31, 2018 compared to \$692.5 million for the year ended December 31, 2017. The increase was primarily attributable to an increase in our Water Solutions segment revenues of \$531.8 million resulting from an increase in demand for our services as a result of a rise in completion activities, as well as a full year of operations from our three 2017 acquisitions comprised of the GRR Acquisition, the Resource Water Acquisition and the Rockwater Merger. For the year ended December 31, 2018, our Water Solutions, Oilfield Chemicals and Wellsite Services segments constituted 69.3%, 17.0% and 13.7% of our total revenue, respectively, compared to 76.3%, 6.0% and 17.7%, respectively, for the year ended December 31, 2017. The adoption of Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*, did not have a material impact on revenue recognition. The revenue increase by operating segment was as follows:

Water Solutions. Revenue increased \$531.8 million, or 100.7%, to \$1,060.2 million for the year ended December 31, 2018 compared to \$528.3 million for the year ended December 31, 2017. The increase was primarily attributable to the Rockwater Merger as well as an increase in the demand for our services as a result of a rise in well completion count of 25.4% and an increase in the twelve month average U.S. land rig count of 18.4% during the year ended December 31, 2018 compared to the year ended December 31, 2017.

Oilfield Chemicals . Revenue from our Oilfield Chemicals segment of \$259.8 million relates entirely to our Rockwater LLC operations acquired on November 1, 2017. Revenue increased \$218.2 million, or 524.7%, to \$259.8 million for the year ended December 31, 2018 compared to \$41.6 million for the year ended December 31, 2017, primarily due to a full year of operations in 2018 versus two months of operations in 2017.

Wellsite Services. Revenue increased \$86.4 million, or 70.5%, to \$209.0 million for the year ended December 31, 2018 compared to \$122.6 million for the year ended December 31, 2017. The increase was primarily attributable to the Rockwater Merger as well as an increase in the demand for our services as a result of a rise in well completion count of 25.4% and an increase in average quarterly U.S. land rig count of 18.4% as compared to the year ended December 31, 2017. The Rockwater Merger contributed \$85.6 million of revenue for the year ended December 31, 2018 and \$17.7 million of revenue from November 1, 2017 to December 31, 2017.

Costs of Revenue

Costs of revenue increased \$695.7 million, or 109.6%, to \$1,330.4 million for the year ended December 31, 2018 compared to \$634.7 million for the year ended December 31, 2017. The increase was largely attributable to the Rockwater Merger as well as higher salaries and wages due to an increase in employee headcount and outside services, rentals and materials expense as a result of increased demand for our services due to the overall increase in drilling, completion and production activities, particularly in our Water Solutions segment. The cost of revenue increase by operating segment was as follows:

Water Solutions. Costs of revenue increased \$401.6 million, or 101.4%, to \$797.5 million for the year ended December 31, 2018 compared to \$395.9 million for the year ended December 31, 2017. The results for the year ended December 31, 2018 include costs associated with Rockwater LLC's operations. The increase was primarily due to a full year of Rockwater operations as well as organic revenue growth due to higher demand for our services. The increase was comprised of an increase in salaries and wages of \$157.6 million as a result of a 19.1% increase in average headcount during the year ended December 31, 2018 as compared to the year ended December 31, 2017. In addition, we saw an increase in our contract labor expense of \$47.5 million as the rapid growth rate in demand for our services resulted in increased short-term labor needs while our internal recruitment and hiring continued. The increase was also attributable to an increase in equipment rental and maintenance expense of \$66.3 million, materials and supplies expense of \$44.6 million and fuel expense of \$38.2 million. The remainder of the increase was attributable to higher costs for facilities, insurance, permits, fees and taxes.

Oilfield Chemicals . Costs of revenue from our Oilfield Chemicals segment relates entirely to our Rockwater LLC operations acquired on November 1, 2017. Costs of revenue increased \$196.4 million, or 530.5%, to \$233.5 million for the year ended December 31, 2018 compared to \$37.0 million for the year ended December 31, 2017, primarily due to a full year of operations in 2018 versus two months of operations in 2017. These costs primarily related to raw material costs incurred in manufacturing our chemical products.

Wellsite Services. Costs of revenue increased \$68.8 million, or 68.7%, to \$169.0 million for the year ended December 31, 2018 compared to \$100.2 million for the year ended December 31, 2017. This was primarily due to \$60.6 million of additional costs associated with Rockwater LLC's Canadian operations and Bakken sand and fluid hauling operations. Excluding Rockwater LLC's operations, also impacting the increase was \$3.7 million higher materials costs and \$3.0 million in additional labor costs.

Depreciation and Amortization. Depreciation and amortization expense increased \$28.9 million, or 28.4%, to \$130.5 million for the year ended December 31, 2018 compared to \$101.6 million for the year ended December 31, 2017. The increase was primarily attributable to additional depreciation from assets acquired in the Rockwater Merger, which closed on November 1, 2017.

Gross Profit

Gross profit increased by \$140.7 million, to a gross profit of \$198.5 million for the year ended December 31, 2018 compared to a gross profit of \$57.8 million for the year ended December 31, 2017 as a result of factors described above. Gross profit as a percent of revenue increased 4.7% to 13.0% during the year ended December 31, 2018, from 8.3% during the year ended December 31, 2017. The increase was primarily driven by lower depreciation expense as a percentage of revenues, impacted by higher utilization of fixed assets, and longer useful lives and increased salvage value estimates on certain fixed assets. Additionally, operational improvements and cost synergies achieved through the Rockwater Merger integration also contributed towards the improvement in gross profit. This was partially offset by the impact from a larger portion of consolidated revenue coming from the lower margin chemicals segment acquired in the Rockwater Merger.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$20.8 million, or 25.2%, to \$103.2 million for the year ended December 31, 2018 compared to \$82.4 million for the year ended December 31, 2017. The year ended December 31, 2017 included one-time charges of \$12.5 million related to payouts on our phantom equity units and IPO bonuses. Excluding these one-time charges incurred during the year ended December 31, 2017, selling, general and administrative expenses increased \$33.3 million, or 47.6% for the year ended December 31, 2018 compared to the year ended December 31, 2017. This overall increase was primarily related to the Rockwater Merger and GRR Acquisition, which significantly increased our size. Trailing deal costs stemming from the Rockwater Merger and other acquisitions, as well as incremental costs to support our new status as a public company, also contributed to the increase.

Impairment

During the year ended December 31, 2018, we determined that \$12.7 million of goodwill in our Oilfield Chemicals segment and \$5.2 million of goodwill related to our Affirm subsidiary in our Wellsite Services segment were impaired as the estimated fair values were not adequate to fully cover the associated carrying values. Additionally, we determined that most of our basis in our cost-method investee was no longer fully recoverable, and as such, it was written down to its estimated fair value of \$0.5 million. The impairment expense of \$2.0 million is included in impairment of investment within the consolidated statements of operations. Additionally, during the year ended December 31, 2018, the Company reviewed certain fluid disposal machinery and equipment used in our fluid hauling and disposal services that are included in our Water Solutions segment. Due to the condition of the equipment, the Company determined that long-lived assets with a carrying value of \$2.3 million were no longer recoverable, so we recorded \$2.3 million of impairment expense to write off these fixed assets. Finally, we determined that \$4.4 million of Canadian fixed assets were impaired due to an expectation of loss on asset disposals. There was no impairment expense incurred during the year ended December 31, 2017.

Lease Abandonment Costs

Due to depressed industry conditions and a resulting reduction in the need for facilities, we decided to close certain facilities beginning in the third quarter of 2016. In conjunction with the Rockwater Merger, we decided to close certain additional facilities that were deemed duplicative of our existing operational locations. As a result of accrued and continuing costs related to certain facilities that are no longer in use, we recorded \$3.9 million of lease abandonment costs during the year ended December 31, 2018, approximately \$2.2 million of which are directly attributable to the Rockwater Merger, as compared to \$3.6 million of lease abandonment costs during the year ended December 31, 2017.

Net Interest Expense

Net interest expense decreased by \$1.3 million, or 19.9%, to \$5.3 million during the year ended December 31, 2018 compared to \$6.6 million for the year ended December 31, 2017 due to paying down debt in 2018.

Net Income (Loss)

Net income of \$54.3 million represented an increase of \$89.4 million, or 254.6%, for the year ended December 31, 2018 compared to a net loss of \$35.1 million for the year ended December 31, 2017 largely as a result of the factors described above.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

	Year ended December 31,		Change	
	2017	2016	Dollars	Percentage
(in thousands)				
Revenue				
Water solutions	\$ 528,309	\$ 241,455	\$ 286,854	118.8 %
Oilfield chemicals	41,586	—	41,586	NM
Wellsite services	122,596	60,944	61,652	101.2 %
Total revenue	692,491	302,399	390,092	129.0 %
Costs of revenue				
Water solutions	395,887	200,399	195,488	97.5 %
Oilfield chemicals	37,024	—	37,024	NM
Wellsite services	100,155	51,108	49,047	96.0 %
Depreciation and amortization	101,645	95,020	6,625	7.0 %
Total costs of revenue	634,711	346,527	288,184	83.2 %
Gross profit (loss)	57,780	(44,128)	101,908	NM
Operating expenses				
Selling, general and administrative	82,403	34,643	47,760	137.9 %
Depreciation and amortization	1,804	2,087	(283)	(13.6)%
Impairment of goodwill	—	138,666	(138,666)	NM
Impairment of property and equipment	—	60,026	(60,026)	NM
Lease abandonment costs	3,572	19,423	(15,851)	(81.6)%
Total operating expenses	87,779	254,845	(167,066)	(65.6)%
Loss from operations	(29,999)	(298,973)	268,974	(90.0)%
Other income (expense)				
Interest expense, net	(6,629)	(16,128)	9,499	(58.9)%
Foreign currency gain, net	281	—	281	NM
Other income, net	369	629	(260)	(41.3)%
Loss before tax benefit	(35,978)	(314,472)	278,494	(88.6)%
Income tax benefit	851	524	327	NM
Net loss	\$ (35,127)	\$ (313,948)	\$ 278,821	(88.8)%

Revenue

Our revenue increased \$390.1 million, or 129.0%, to \$692.5 million for the year ended December 31, 2017 compared to \$302.4 million for the year ended December 31, 2016. The increase was primarily attributable to an increase in our Water Solutions segment revenues of \$286.8 million. The increase in revenue was primarily attributable to an increase in demand for our services as a result of a rise in completion activities, as well as the Rockwater Merger which contributed \$128.9 million of total revenue from November 1, 2017 to December 31, 2017. For the year ended December 31, 2017, our Water Solutions, Oilfield Chemicals and Wellsite Services segments constituted 76.3%, 6.0% and 17.7% of our total revenue, respectively, compared to 79.8%, 0.0% and 20.2%, respectively, for the year ended December 31, 2016. The revenue increase by operating segment was as follows:

Water Solutions. Revenue increased \$286.9 million, or 118.8%, to \$528.3 million for the year ended December 31, 2017 compared to \$241.5 million for the year ended December 31, 2016. The increase was primarily

attributable to an increase in the demand for our services as a result of a rise in completion activities and an increase in average annual rig count of 72.2%, as well as the Rockwater Merger during the year ended December 31, 2017 compared to year ended December 31, 2016. The Rockwater Merger contributed \$69.6 million of revenue from November 1, 2017 to December 31, 2017. Additionally, the GRR Acquisition contributed \$35.2 million of revenue for the year ended December 31, 2017.

Oilfield Chemicals . Revenue of \$41.6 million from our Oilfield Chemicals segment related to the Rockwater Merger from November 1, 2017 to December 31, 2017.

Wellsite Services. Revenue increased \$61.7 million, or 101.3%, to \$122.6 million for the year ended December 31, 2017 compared to \$60.9 million for the year ended December 31, 2016. The increase was primarily attributable to an increase in the demand for our services as a result of a rise in completion activities and an increase in average annual rig count of 72.2%, as well as the Rockwater Merger during the year ended December 31, 2017 compared to year ended December 31, 2016. The Rockwater Merger contributed \$17.7 million of revenue from November 1, 2017 to December 31, 2017.

Cost of Revenue

Cost of revenue increased \$288.2 million, or 83.2%, to \$634.7 million for the year ended December 31, 2017 compared to \$346.5 million for the year ended December 31, 2016. The increase was largely attributable to higher salaries and wages due to an increase in employee headcount, outside services, rentals and materials as a result of increased demand for our services due to the overall increase in drilling, completion and production activities, particularly in our Water Solutions segment. The cost of revenue increase by operating segment was as follows:

Water Solutions. Cost of revenue increased \$195.5 million, or 97.6%, to \$395.9 million for the year ended December 31, 2017 compared to \$200.4 million for the year ended December 31, 2016. The results for the year ended December 31, 2017 includes \$55.7 million of costs associated with Rockwater's operations from the date of the Rockwater Merger on November 1, 2017 to December 31, 2017. Excluding Rockwater's operations, the remaining increase was partly attributable to an increase in salaries and wages of \$47.6 million as a result of a 53.7% increase in average headcount during the year ended December 31, 2017 as compared to the prior year period. The increase was also attributable to an increase in materials and supplies expense of \$33.4 million, contract labor expense of \$25.9 million, equipment rental and maintenance expense of \$17.3 million and bulk and retail fuel expense of \$11.4 million, offset by a decrease in allocated facility costs of \$3.5 million.

Oilfield Chemicals . Cost of revenue of \$37.0 million from our Oilfield Chemicals segment related to the Rockwater Merger from November 1, 2017 to December 31, 2017. This cost was primarily related to raw material costs incurred in manufacturing our chemical products.

Wellsite Services. Cost of revenue increased \$49.1 million, or 96.1%, to \$100.2 million for the year ended December 31, 2017 compared to \$51.1 million for the year ended December 31, 2016. The results for the year ended December 31, 2017 include \$15.3 million of costs associated with Rockwater's operations from the date of the Rockwater Merger on November 1, 2017 to December 31, 2017. Excluding Rockwater's operations, the remaining increase was partially attributable to an increase in salaries and wages of \$10.6 million resulting from a 48.0% increase in average headcount during the year ended December 31, 2017 as compared to the prior year period. This increase in labor workforce also resulted in a \$5.3 million increase of certain labor support costs including fuel and repair and maintenance expenses. The cost of revenue increase was also partly attributable to increases in outside services, equipment rentals and variable supplies expense totaling \$17.0 million resulting from increased demand for services.

Depreciation and Amortization. Depreciation and amortization expense increased \$6.6 million, or 6.9%, to \$101.6 million for the year ended December 31, 2017 compared to \$95.0 million for the year ended December 31, 2016. The increase was primarily attributable to \$9.2 million of additional depreciation from assets acquired in the Rockwater Merger from November 1, 2017 to December 31, 2017, offset by decreases resulting from certain assets becoming fully depreciated or being impaired during 2016.

Gross Profit (Loss)

Gross profit (loss) increased by \$101.9 million, to a gross profit of \$57.8 million for the year ended December 31, 2017 compared to gross loss of \$44.1 million for the year ended December 31, 2016 as a result of factors described above.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$47.8 million, or 138.2%, to \$82.4 million for the year ended December 31, 2017 compared to \$34.6 million for the year ended December 31, 2016. The results for the year ended December 31, 2017 reflects Rockwater's operations from November 1, 2017 to December 31, 2017. This overall increase was primarily due to a payout on our phantom equity units and IPO success bonuses of \$12.5 million, a \$10.5 million increase in legal and professional fees, primarily related to the Rockwater Merger, GRR Acquisition and other deal costs, a \$7.4 million increase in equity-based compensation largely relating to the replacement of previous Rockwater equity-based awards, \$4.4 million for administrative and labor costs associated with Rockwater during the period, and a \$12.3 million increase in other administrative and labor costs, largely related to our new status as a public company during the year ended December 31, 2017 as compared to the prior year period.

Impairment

There were no impairment losses recorded during the year ended December 31, 2017. Due to significant reductions in oil and gas prices and rig counts during early 2016, we determined there were triggering events requiring an assessment of the recoverability of goodwill. This assessment resulted in our recognition of an impairment loss in 2016 of \$137.5 million related to goodwill and \$60.0 million related to long-lived assets in our Water Solutions segment, \$1.0 million related to goodwill and less than \$0.1 million related to other intangible assets in our Wellsite Services.

Lease Abandonment Costs

Due to depressed industry conditions and a resulting reduction in the need for facilities, we decided to close certain facilities beginning in the third quarter of 2016. As a result of continuing costs related to certain facilities that were no longer in use, we recorded \$3.6 million of lease abandonment costs during the year ended December 31, 2017. We recorded \$19.4 million of lease abandonment costs during the year ended December 31, 2016.

Interest Expense

The decrease in interest expense of \$9.5 million, or 58.9%, during the year ended December 31, 2017 compared to the year ended December 31, 2016 was due to the completion of the Select 144A Offering on December 20, 2016 and the completion of the IPO on April 26, 2017. We used a portion of the net proceeds from the Select 144A Offering to repay all outstanding borrowings and a portion of the net proceeds from the IPO to repay all of our subsequent outstanding indebtedness related to GRR Acquisition.

Net Loss

Net loss decreased by \$278.8 million to \$35.1 million for the year ended December 31, 2017 compared to \$313.9 million for the year ended December 31, 2016 largely as a result of the factors described above.

Comparison of Non-GAAP Financial Measures

We view EBITDA and Adjusted EBITDA as important indicators of performance. We define EBITDA as net income (loss), plus interest expense, income taxes, and depreciation and amortization. We define Adjusted EBITDA as EBITDA plus/(minus) loss/(income) from discontinued operations, plus any impairment charges or asset write-offs pursuant to GAAP, plus/(minus) non-cash losses/(gains) on the sale of assets or subsidiaries, non-recurring compensation expense, non-cash compensation expense, and non-recurring or unusual expenses or charges, including

severance expenses, transaction costs, or facilities-related exit and disposal-related expenditures, plus/(minus) foreign currency losses/(gains) and plus any inventory write-down.

Our board of directors, management and investors use EBITDA and Adjusted EBITDA to assess our financial performance because it allows them to compare our operating performance on a consistent basis across periods by removing the effects of our capital structure (such as varying levels of interest expense), asset base (such as depreciation and amortization) and items outside the control of our management team. We present EBITDA and Adjusted EBITDA because we believe they provide useful information regarding the factors and trends affecting our business in addition to measures calculated under GAAP.

Note Regarding Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA are not financial measures presented in accordance with GAAP. We believe that the presentation of these non-GAAP financial measures will provide useful information to investors in assessing our financial performance and results of operations. Net income is the GAAP measure most directly comparable to EBITDA and Adjusted EBITDA. Our non-GAAP financial measures should not be considered as alternatives to the most directly comparable GAAP financial measure. Each of these non-GAAP financial measures has important limitations as an analytical tool due to exclusion of some but not all items that affect the most directly comparable GAAP financial measures. You should not consider EBITDA or Adjusted EBITDA in isolation or as substitutes for an analysis of our results as reported under GAAP. Because EBITDA and Adjusted EBITDA may be defined differently by other companies in our industry, our definitions of these non-GAAP financial measures may not be comparable to similarly titled measures of other companies, thereby diminishing their utility. For further discussion, please see “Item 6. Selected Financial Data.”

The following tables present a reconciliation of EBITDA and Adjusted EBITDA to our net loss, which is the most directly comparable GAAP measure for the periods presented:

	Year Ended December 31,		
	2018	2017	2016
	(in thousands)		
Net income (loss)	\$ 54,299	\$ (35,127)	\$ (313,948)
Interest expense	5,311	6,629	16,128
Income tax expense (benefit)	1,704	(851)	(524)
Depreciation and amortization	133,713	103,449	97,107
EBITDA	195,027	74,100	(201,237)
Impairment of goodwill	17,894	—	138,666
Impairment of property and equipment	6,657	—	60,026
Impairment of cost-method investment	2,000	—	—
Lease abandonment costs	3,925	3,572	19,423
Non-recurring severance expenses ⁽¹⁾	1,220	4,161	886
Non-recurring transaction costs ⁽²⁾	7,809	10,179	(236)
Non-cash compensation expenses	10,371	7,691	(487)
Non-cash (gain) loss on sale of assets or subsidiaries	3,775	1,740	(97)
Non-recurring phantom equity and IPO-related compensation	—	12,537	—
Foreign currency (gain) loss	1,292	(281)	—
Inventory write-down	442	—	—
Non-recurring change in vacation policy ⁽³⁾	2,894	—	—
Other non-recurring charges	4,313	3,563	—
Adjusted EBITDA	\$ 257,619	\$ 117,262	\$ 16,944

- (1) For 2018, these costs are associated with severance incurred in connection with the retirement of our former Chief Administrative Officer as well as the termination of certain Canadian employees. For 2017, these costs are associated with severance incurred in connection with the Rockwater Merger. For 2016, these costs are associated with the reduction in headcount as a result of the industry downturn.

- (2) For 2018, these costs are primarily related to the Rockwater Merger. For 2017, these costs are primarily associated with the Rockwater Merger and GRR Acquisition. For 2016, these transaction costs are associated with our evaluation and negotiation of various transactions that never materialized.
- (3) For 2018, these costs represent a one-time accrual to allow for carryover of unused vacation. Previously, any unused vacation was forfeited at year-end.

EBITDA was \$195.0 million for the year ended December 31, 2018 compared to \$74.1 million for the year ended December 31, 2017. Adjusted EBITDA was \$257.6 million for the year ended December 31, 2018 compared to \$117.3 million for the year ended December 31, 2017. The increases in EBITDA and Adjusted EBITDA resulted from an increase in our revenues and gross profit, as discussed above.

EBITDA was \$74.1 million for the year ended December 31, 2017 compared to \$(201.2) million for the year ended December 31, 2016. Adjusted EBITDA was \$117.3 million for the year ended December 31, 2017 compared to \$16.9 million for the year ended December 31, 2016. The increases in EBITDA and Adjusted EBITDA resulted from an increase in our revenues and gross profit, as discussed above.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity to date have been capital contributions from our members, the net proceeds from the Select 144A Offering, the net proceeds from the IPO, borrowing capacity under our current Credit Agreement and the Previous Credit Facility and cash flows from operations. Our primary uses of capital have been capital expenditures to support organic growth and fund acquisitions. Depending on market conditions and other factors, we may also issue debt and equity securities if needed.

We intend to finance most of our capital expenditures, contractual obligations and working capital needs with cash generated from operations and borrowings from our Credit Agreement. For a discussion of the Credit Agreement, see “—Credit Agreement” below. Although we cannot provide any assurance, we believe that our operating cash flow and available borrowings under our Credit Agreement will be sufficient to fund our operations for at least the next twelve months.

On December 20, 2016, we completed the Select 144A Offering for net proceeds of \$297.2 million. We contributed all of these net proceeds to SES Holdings in exchange for SES Holdings LLC Units. SES Holdings used the net proceeds to repay a portion of its outstanding indebtedness and for general corporate purposes.

On April 26, 2017, we completed the IPO for net proceeds of approximately \$111.4 million, net of underwriting discounts and commissions and estimated offering expenses. We contributed all of these net proceeds to SES Holdings in exchange for SES Holdings LLC Units. SES Holdings used the net proceeds to repay borrowings incurred under the Previous Credit Facility to fund the cash portion of the purchase price of the GRR Acquisition, for the cash settlement of outstanding phantom unit awards at SES Holdings and for capital expenditures. On May 10, 2017, we received cash proceeds of approximately \$17.1 million, net of underwriting discounts and commissions and estimated offering expenses, from the exercise in full by the underwriters of our IPO of their option to purchase additional shares of our Class A common stock. We used the net proceeds from the underwriters’ option exercise for general corporate purposes, including funding additional capital expenditures.

At December 31, 2018, cash and cash equivalents totaled \$17.2 million. In addition to cash and cash equivalents, we had \$204.7 million of available borrowing capacity under our Credit Agreement as of December 31, 2018. As of February 28, 2019, the borrowing base under the Credit Agreement was \$255.8 million, the outstanding borrowings totaled \$45.0 million, the outstanding letters of credit totaled \$20.9 million, and the available borrowing capacity under the Credit Agreement was \$189.9 million.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

Cash Flow Changes Between the Years Ended December 31, 2018 and 2017

	Year ended December 31,		Change	
	2018	2017	Dollars	Percentage
	(in thousands)			
Net cash provided by (used in) operating activities	\$ 232,409	\$ (2,899)	\$ 235,308	NM
Net cash used in investing activities	(168,361)	(156,731)	(11,630)	7.4 %
Net cash (used in) provided by financing activities	(49,293)	122,397	(171,690)	(140.3)%
Subtotal	14,755	(37,233)		
Effect of exchange rate changes on cash and cash equivalents	(292)	(34)	(258)	NM
Net increase (decrease) in cash	\$ 14,463	\$ (37,267)		

Operating Activities. Net cash provided by operating activities was \$232.4 million for the year ended December 31, 2018, compared to net cash used in operating activities of \$2.9 million for the year ended December 31, 2017. The \$235.3 million increase in net cash provided by operating activities related primarily to increased net income adjusted for noncash items which was driven by a significant growth in revenue and improvement in gross margins resulting from recovering demand for our services as compared to the prior year period, improved working capital management, and a full year of contributions from the 2017 acquisitions.

Investing Activities. Net cash used in investing activities was \$168.4 million for the year ended December 31, 2018, compared to \$156.7 million for the year ended December 31, 2017. The \$11.6 million increase in net cash used in investing activities was primarily due to an increase in cash used for capital expenditures during the year ended December 31, 2018 of \$66.6 million to support the increased scale of operations following the Rockwater Merger which occurred on November 1, 2017, partially offset by the \$48.5 million decrease in cash used for acquisitions, primarily related to the GRR Acquisition in March 10, 2017.

Financing Activities. Net cash used in financing activities was \$49.3 million for the year ended December 31, 2018, compared to cash provided by financing activities of \$122.4 million for the year ended December 31, 2017. The \$171.7 million increase in net cash used in financing activities was primarily due to the non-recurring nature of the \$128.5 million in net proceeds received from the issuance of shares in our IPO on April 26, 2017, including the exercise of the over-allotment option, coupled with a net \$30.0 million pay down of long-term debt during 2018. Also, impacting the increase in net cash used in financing activities was \$15.7 million of common stock repurchases during the fourth quarter of 2018 related to our share repurchase program.

Cash Flow Changes Between the Years Ended December 31, 2017 and 2016

	Year ended December 31,		Change	
	2017	2016	Dollars	Percentage
	(in thousands)			
Net cash (used in) provided by operating activities	\$ (2,899)	\$ 5,131	\$ (8,030)	NM
Net cash used in investing activities	(156,731)	(26,955)	(129,776)	481.5 %
Net cash provided by financing activities	122,397	45,560	76,837	168.7 %
Subtotal	(37,233)	23,736		
Effect of exchange rate changes on cash and cash equivalents	(34)	—	(34)	NM
Net (decrease) increase in cash	\$ (37,267)	\$ 23,736		

Operating Activities. Net cash used in operating activities was \$2.9 million for the year ended December 31, 2017, compared to net cash provided by operating activities of \$5.1 million for the year ended December 31, 2016. The \$8.0 million increase in net cash used in operating activities was primarily attributable to increases in accounts receivable and working capital during the year ended December 31, 2017, in response to growth in revenues driven by recovering demand for our services as compared to the prior year period.

Investing Activities. Net cash used in investing activities was \$156.7 million for the year ended December 31, 2017, compared to \$27.0 million for the year ended December 31, 2016. The \$129.7 million increase in net cash used in investing activities was primarily due to net cash used for acquisitions of \$65.5 million and by higher capital expenditures during the year ended December 31, 2017, of \$62.4 million as compared to the year ended December 31, 2016.

Financing Activities. Net cash provided by financing activities was \$122.4 million for the year ended December 31, 2017, compared to \$45.6 million for the year ended December 31, 2016. The \$76.8 million increase in net cash provided by financing activities was primarily due to \$128.5 million in net proceeds received from the issuance of shares in the IPO, including exercise of the over-allotment option.

Credit Agreement

On November 1, 2017, in connection with the closing of the Rockwater Merger (the “Closing”), SES Holdings and Select LLC, entered into a \$300.0 million senior secured revolving credit facility (the “Credit Agreement”), by and among SES Holdings, as parent, Select LLC, as borrower, and certain of SES Holdings’ subsidiaries, as guarantors, and each of the lenders party thereto and Wells Fargo Bank, N.A., as administrative agent, issuing lender and swingline lender (the “Administrative Agent”). The Credit Agreement also has a sublimit of \$40.0 million for letters of credit and a sublimit of \$30.0 million for swingline loans. Subject to obtaining commitments from existing or new lenders, we have the option to increase the maximum amount under the Credit Agreement by \$150.0 million during the first three years following the Closing. The maturity date of the Credit Agreement is the earlier of (a) November 1, 2022, and (b) the termination in whole of the Commitments pursuant to Section 2.1(b) of Article VII of the Credit Agreement.

The Credit Agreement permits extensions of credit up to the lesser of \$300.0 million and a borrowing base that is determined by calculating the amount equal to the sum of (i) 85.0% of the Eligible Billed Receivables (as defined in the Credit Agreement), plus (ii) 75.0% of Eligible Unbilled Receivables (as defined in the Credit Agreement), provided that this amount will not equal more than 35.0% of the borrowing base, plus (iii) the lesser of (A) the product of 70.0% multiplied by the value of Eligible Inventory (as defined in the Credit Agreement) at such time and (B) the product of 85.0% multiplied by the Net Recovery Percentage (as defined in the Credit Agreement) identified in the most recent Acceptable Appraisal of Inventory (as defined in the Credit Agreement), multiplied by the value of Eligible Inventory at such time, provided that this amount will not equal more than 30.0% of the borrowing base, minus (iv) the aggregate amount of Reserves (as defined in the Credit Agreement), if any, established by the Administrative Agent from time to time, including, if any, the amount of the Dilution Reserve (as defined in the Credit Agreement). The borrowing base is calculated on a monthly basis pursuant to a borrowing base certificate delivered by Select LLC to the Administrative Agent.

Borrowings under the Credit Agreement bear interest, at Select LLC’s election, at either the (a) one-, two-, three- or six-month LIBOR (“Eurocurrency Rate”) or (b) the greatest of (i) the federal funds rate plus 0.5%, (ii) the one-month Eurocurrency Rate plus 1.0% and (iii) the Administrative Agent’s prime rate (the “Base Rate”), in each case plus an applicable margin, and interest shall be payable monthly in arrears. The applicable margin for Eurocurrency Rate loans ranges from 1.50% to 2.00% and the applicable margin for Base Rate loans ranges from 0.50% to 1.00%, in each case, depending on Select LLC’s average excess availability under the Credit Agreement. During the continuance of a bankruptcy event of default, automatically and during the continuance of any other default, upon the Administrative Agent’s or the required lenders’ election, all outstanding amounts under the Credit Agreement will bear interest at 2.00% plus the otherwise applicable interest rate.

The obligations under the Credit Agreement are guaranteed by SES Holdings and certain subsidiaries of SES Holdings and Select LLC and secured by a security interest in substantially all of the personal property assets of SES Holdings, Select LLC and their domestic subsidiaries.

The Credit Agreement contains certain customary representations and warranties, affirmative and negative covenants and events of default. If an event of default occurs and is continuing, the lenders may declare all amounts outstanding under the Credit Agreement to be immediately due and payable.

In addition, the Credit Agreement restricts SES Holdings' and Select LLC's ability to make distributions on, or redeem or repurchase, its equity interests, except for certain distributions, including distributions of cash so long as, both at the time of the distribution and after giving effect to the distribution, no default exists under the Credit Agreement and either (a) excess availability at all times during the preceding 30 consecutive days, on a pro forma basis and after giving effect to such distribution, is not less than the greater of (1) 25.0% of the lesser of (A) the maximum revolver amount and (B) the then-effective borrowing base and (2) \$37.5 million or (b) if SES Holdings' fixed charge coverage ratio is at least 1.0 to 1.0 on a pro forma basis, and excess availability at all times during the preceding 30 consecutive days, on a pro forma basis and after giving effect to such distribution, is not less than the greater of (1) 20.0% of the lesser of (A) the maximum revolver amount and (B) the then-effective borrowing base and (2) \$30.0 million. Additionally, the Credit Agreement generally permits Select LLC to make distributions to allow Select Inc. to make payments required under the existing Tax Receivable Agreements.

The Credit Agreement also requires SES Holdings to maintain a fixed charge coverage ratio of at least 1.0 to 1.0 at any time availability under the Credit Agreement is less than the greater of (i) 10.0% of the lesser of (A) the maximum revolver amount and (B) the then-effective borrowing base and (ii) \$15.0 million and continuing through and including the first day after such time that availability under the Credit Agreement has equaled or exceeded the greater of (i) 10.0% of the lesser of (A) the maximum revolver amount and (B) the then-effective borrowing base and (ii) \$15.0 million for 60 consecutive calendar days.

We were in compliance with all debt covenants as of December 31, 2018.

Off-Balance Sheet Arrangements

At December 31, 2018, we had no material off-balance sheet arrangements, except for operating leases. As such, we are not exposed to any material financing, liquidity, market or credit risk that could arise if we had engaged in such financing arrangements.

Contractual Obligations

The table below provides estimates of the timing of future payments that we are obligated to make based on agreements in place at December 31, 2018.

Contractual Obligations	Payments Due by Period					Total
	Year 1	Years 2-3	Years 4-5	More than 5 years		
	(in thousands)					
Credit Agreement ⁽¹⁾	\$ —	\$ —	\$ 45,000	\$ —	\$ 45,000	
Estimated interest payments	2,364	4,727	1,970	—	9,061	
Operating lease obligations	33,377	37,138	21,939	40,991	133,445	
Capital lease obligations	1,079	290	—	—	1,369	
Total	\$ 36,820	\$ 42,155	\$ 68,909	\$ 40,991	\$ 188,875	

(1) As of February 28, 2019, the borrowing base under the Credit Agreement was \$255.8 million, the outstanding borrowings totaled \$45.0 million and the outstanding letters of credit totaled \$20.8 million. The Credit Agreement matures on November 1, 2022. For a description of our Credit Agreement, please read "Management's Discussion and Analysis of Financial Condition and Results of Operations—Credit Agreement."

Tax Receivable Agreements

We intend to fund any obligation under the Tax Receivable Agreements with cash from operations or borrowings under our Credit Agreement. With respect to obligations under each of our Tax Receivable Agreements (except in cases where we elect to terminate the Tax Receivable Agreements early, the Tax Receivable Agreements are terminated early due to certain mergers or other changes of control or we have available cash but fail to make payments when due), generally we may elect to defer payments due under the Tax Receivable Agreements if we do not have available cash to satisfy our payment obligations under the Tax Receivable Agreements or if our contractual obligations limit our ability to make these payments. Any such deferred payments under the Tax Receivable Agreements generally will accrue interest. On July 18, 2017, our board of directors approved amendments to each of the Tax Receivable Agreements, which amendments revised the definition of “change of control” for purposes of the Tax Receivable Agreements and acknowledged that the Rockwater Merger would not result in a change of control.

We intend to account for any amounts payable under the Tax Receivable Agreements in accordance with Accounting Standards Codification (“ASC”) Topic 450, Contingent Consideration. For further discussion regarding such an acceleration and its potential impact, please read “Item 1A. Risk Factors—Risks Related to Our Organizational Structure—In certain cases, payments under the Tax Receivable Agreements may be accelerated and/or significantly exceed the actual benefits, if any, we realize in respect of the tax attributes subject to the Tax Receivable Agreements.”

We completed an initial assessment of the amount of any liability under the Tax Receivable Agreements required under the provisions of ASC 450 in connection with preparing the Selected Consolidated Financial Statements. We determined that there was no resulting liability related to the Tax Receivable Agreements arising from the corporate reorganization and related transactions completed in connection with the Select 144A Offering as the associated deferred tax assets are fully offset by a valuation allowance. The corporate reorganization represented a reorganization of entities under common control transaction that is recorded based on the historical carrying amounts of affected assets and liabilities in accordance with ASC 805-50, Business Combinations—Related Issues. Under that guidance, any difference between consideration paid (in this case, the liability under the Tax Receivable Agreements) and the carrying amount of the assets and liabilities received is recognized within equity.

The initial liability will be adjusted at each reporting date through charges or credits in the consolidated statements of operations. We concluded that accounting by analogy to the accounting treatment specified in ASC 740-20-45-11(g) for subsequent changes in a valuation allowance established against deferred tax assets that arose due to a change in tax basis in connection with a transaction with stockholders, which is recorded in the consolidated statements of operations. We believe that analogy is appropriate given the direct relationship between the amount of any estimated tax savings to be realized and the recognition and measurement of the liability under the Tax Receivable Agreements.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures about any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Our critical accounting policies are described below to provide a better understanding of how we develop our assumptions and judgments about future events and related estimations and how they can impact our financial statements. The following accounting policies involve critical accounting estimates because they are dependent on our judgment and assumptions about matters that are inherently uncertain.

We base our estimates on historical experience and on various other assumptions we believe to be reasonable according to the current facts and circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Estimates and assumptions about future events and their effects are subject to uncertainty and, accordingly, these estimates may change as new events occur, as more experience is acquired, as additional information is obtained, and as the business environment in which we operate changes. We believe the current assumptions, judgments and estimates used to determine amounts reflected in our consolidated financial statements are appropriate, however, actual results may differ under different conditions.

This discussion and analysis should be read in conjunction with our consolidated financial statements and related notes included in this Annual Report.

Emerging Growth Company Status : Under the JOBS Act, we were an “emerging growth company,” or an “EGC,” which allowed us an extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act. We took advantage of all of the reduced reporting requirements and exemptions, including the longer phase-in periods for the adoption of new or revised financial accounting standards under Section 107 of the JOBS Act until December 31, 2018. Effective December 31, 2018, we lost EGC status as the market value of our shares of common stock held by non-affiliates on June 30, 2018 was greater than \$700 million.

Goodwill and other intangible assets : The purchase price of acquired businesses is allocated to its identifiable assets and liabilities based upon estimated fair values as of the acquisition date. Goodwill and other intangible assets are initially recorded at their fair values. Goodwill represents the excess of the purchase price of acquisitions over the fair value of the net assets acquired in a business combination. Our goodwill at December 31, 2018 and 2017, totaled \$273.8 million and \$273.4 million, respectively. Goodwill and other intangible assets not subject to amortization are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Intangible assets with finite useful lives are amortized either on a straight-line basis over the asset’s estimated useful life or on a basis that reflects the pattern in which the economic benefits of the intangible assets are realized.

Impairment of goodwill, long-lived assets and intangible assets : Long-lived assets, such as property and equipment and finite-lived intangible assets, are evaluated for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Recoverability is measured by a comparison of their carrying amount to the estimated undiscounted cash flows to be generated by those assets. If the undiscounted cash flows are less than the carrying amount, we record impairment losses for the excess of their carrying value over the estimated fair value. Fair value is determined, in part, by the estimated cash flows to be generated by those assets. Our cash flow estimates are based upon, among other things, historical results adjusted to reflect our best estimate of future market rates, utilization levels, and operating performance. Development of future cash flows also requires management to make assumptions and to apply judgment, including the timing of future expected cash flows, using the appropriate discount rates and determining salvage values. The estimate of fair value represents our best estimates of these factors based on current industry trends and reference to market transactions and is subject to variability. Assets are generally grouped at the lowest level of identifiable cash flows. We operate within the oilfield service industry, and the cyclical nature of the oil and gas industry that we serve and our estimates of the period over which future cash flows will be generated, as well as the predictability of these cash flows, can have a significant impact on the estimated fair value of these assets and, in periods of prolonged down cycles, may result in impairment charges. Changes to our key assumptions related to future performance, market conditions and other economic factors could adversely affect our impairment valuation. During the year ended December 31, 2018, the Company reviewed certain fluid disposal machinery and equipment used in our fluid hauling and disposal services that are included in our Water Solutions segment. Due to the condition of the equipment, the Company determined that long-lived assets with a carrying value of \$2.3 million were no longer recoverable and were written down to their estimated fair value of zero. Additionally, the Company determined that \$4.4 million of Canadian fixed assets were impaired due to an expectation of a loss on asset disposals.

During the year ended December 31, 2018, we determined that \$12.7 million of goodwill in our Oilfield Chemicals segment and \$5.2 million of goodwill related to our Affirm subsidiary unit in our Wellsite Services segment were impaired as the estimated fair values were not adequate to fully cover the associated carrying values. There were no intangible impairment losses recorded during 2017. During 2016, due to sustained declines in oil prices starting in late 2014 and the resulting negative impact to the overall industry, we recognized an impairment loss of \$60.0 million related to long-lived assets in our Water Solutions segment and \$0.1 million related to other intangible assets in our Wellsite Services segment and are included in the consolidated statements of operations for the year ended December 31, 2016.

We conduct our annual goodwill impairment tests in the fourth quarter of each year, and whenever impairment indicators arise, by examining relevant events and circumstances which could have a negative impact on our goodwill such as macroeconomic conditions, industry and market conditions, cost factors that have a negative effect on earnings and cash flows, overall financial performance, acquisitions and divestitures and other relevant entity-specific events. If a

qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then we would be required to perform a quantitative impairment test for goodwill comparing the reporting unit's carrying value to its fair value. The Company's reporting units are based on its organizational and reporting structure. In determining fair values for the reporting units, the Company relies primarily on the income, market and cost approaches for valuation. In the income approach, the Company discounts predicted future cash flows using a weighted-average cost of capital calculation based on publicly traded peer companies. In the market approach, valuation multiples are developed from both publicly traded peer companies as well as other company transactions. The cost approach considers replacement cost as the primary indicator of value.

If the fair value of a reporting unit is less than its carrying value, impairment is calculated based on the difference between the fair value and carrying value in accordance with our early adoption of ASU 2017-04—Simplifying the Test for Goodwill Impairment (“ASU 2017-04”). Application of the goodwill impairment test requires judgment, including the identification of reporting units, allocation of assets (including goodwill) and liabilities to reporting units and determining the fair value. The determination of reporting unit fair value relies upon certain estimates and assumptions that are complex and are affected by numerous factors, including the general economic environment and levels of E&P activity of oil and gas companies, our financial performance and trends and our strategies and business plans, among others. Unanticipated changes, including immaterial revisions, to these assumptions, could result in a provision for impairment in a future period. Given the nature of these evaluations and their application to specific assets and time frames, it is not possible to reasonably quantify the impact of changes in these assumptions.

Although we believe the historical assumptions and estimates we have made are reasonable and appropriate, different assumptions and estimates could materially impact our reported financial results. During 2016, due to further declines in oilfield services activity, we recognized goodwill impairment loss of \$137.5 million related to our Water Solutions segment and \$1.0 million related to our Wellsite Services segment and are included in the consolidated statements of operations for the year ended December 31, 2016.

Revenue recognition : We use the five step process to recognize revenue which entails (i) identifying contracts with customers; (ii) identifying the performance obligations in each contract; (iii) determining the transaction price; (iv) allocating the transaction price to the performance obligations; and (v) recognizing revenue as we satisfy performance obligations. We only apply the five-step model to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services transferred to the customer. Revenue from our Water Solutions and Wellsite Services segments is typically recognized over the course of time, whereas revenue from our Chemicals segment is typically recognized upon delivery. Revenue generated by each of our revenue streams is outlined as follows:

Water Solutions and Related Services — We provide water-related services to customers, including the sourcing and transfer of water; the containment of fluids; measuring and monitoring of water; the filtering and treatment of fluids, well testing and handling, transportation, and recycling or disposal of fluids. Operating under Rockwater LLC, we also offer sand hauling and logistics services in the Rockies and Bakken regions as well as water transfer, containment, and fluids hauling in Western Canada. Revenue from water solutions is primarily based on a per-barrel price or other throughput metrics as specified in the contract. We recognize revenue from water solutions when services are performed.

Our agreements with our 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 our price sheet, we price our 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. Of our Water Solutions service lines, only sourcing and transfer of water are consistently provided as part of the same arrangement. In these instances, revenue for both sourcing and transfer are recognized concurrently when delivered.

Accommodations and Rentals —We provide workforce accommodations and surface rental equipment. Accommodation services include trailer housing and mobile home units for field personnel. Equipment rentals

are related to the accommodations and include generators, sewer and water tanks, and communication systems. Revenue from accommodations and equipment rental is typically recognized on a day-rate basis.

Wellsite Completion and Construction Services—We provide crane and logistics services, wellsite and pipeline construction, and field services. Revenue for heavy-equipment rental is typically recognized on a day-rate basis. Construction or field personnel revenue is based on hourly rates or on a per-job basis as services are performed.

Oilfield Chemical Product Sales— We develop, manufacture and market a full suite of chemicals utilized in hydraulic fracturing, stimulation and well completions, including polymers that create viscosity, crosslinkers, friction reducers, surfactants, buffers, breakers and other chemical technologies, to leading pressure pumping service companies in the United States. We also provide production chemicals solutions, which are applied to underperforming wells in order to enhance well performance and reduce production costs through the use of production treating chemicals, corrosion and scale monitoring, chemical inventory management, well failure analysis and lab services.

Oilfield Chemicals products are generally sold under sales agreements based upon purchase orders or contracts with our customers that do not include right of return provisions or other significant post-delivery obligations. Our products are produced in a standard manufacturing operation, even if produced to our customer's specifications. The prices of products are fixed and determinable and are established in price lists or customer purchase orders. We recognize revenue from product sales when title passes to the customer, the customer assumes risks and rewards of ownership, collectability is reasonably assured, and delivery occurs as directed by our customer.

Self-insurance : We self-insure, through deductibles and retentions, up to certain levels for losses related to general liability, workers' compensation and employer's liability, and vehicle liability. Our exposure (i.e. the retention or deductible) per occurrence is \$1.0 million for general liability, \$1.0 million for workers' compensation and employer's liability, and \$1.0 million for vehicle liability. We also have an excess loss policy over these coverages with a limit of \$100.0 million in the aggregate. Management regularly reviews its estimates of reported and unreported claims and provide for losses through reserves. We use actuarial estimates to record our liability for future periods. If the number of claims or the costs associated with those claims was to increase significantly over our estimates, additional charges to earnings could be necessary to cover required payments. As of December 31, 2018, we estimate the range of exposure to be from \$14.1 million to \$16.1 million and have recorded liabilities of \$15.1 million which represents management's best estimate of probable loss related to workers' compensation and employer's liability, and vehicle liability. Additionally, we have recorded \$1.1 million in general liabilities on December 31, 2018. Prior to June 1, 2016, we were self-insured for group medical claims subject to a deductible of \$0.3 million for large claims. As of June 1, 2016, we are fully-insured for group medical.

In connection with the Rockwater Merger, we temporarily maintained a separate group medical program for certain employees where medical claims are subject to a deductible of \$0.3 million for large claims. During 2018, this was integrated into our existing plan.

Equity-based compensation : We account for equity-based awards by measuring the awards at the date of grant and recognizing the grant-date fair value as an expense using either straight-line or accelerated attribution, depending on the specific terms of the award agreements over the requisite service period, which is usually equivalent to the vesting period. We expense awards with graded-vesting service conditions on a straight-line basis. Prior to our IPO, we did not have a listed price with which to calculate fair value. Therefore, prior to our IPO, we historically and consistently calculated the fair value using a market approach, taking into consideration peer group analysis of publicly traded companies.

Stock options have been granted with an exercise price equal to or greater than the fair market value of its underlying equity instrument as of the date of grant. Prior to our IPO, we historically valued our equity on a quarterly basis using a market approach that included a comparison to publicly traded peer companies using earnings multiples based on their market values and a discount for lack of marketability. We utilized the Black-Scholes model to determine

fair value, which incorporates assumptions to value stock-based awards. The risk-free interest rate was based on the U.S. Treasury yield curve in effect for the expected term of the option at the time of grant. As there had been no market for our equity prior to our IPO, we considered the historical volatility of publicly traded peer companies when determining the volatility factor. The expected life of the options was based on a formula considering the vesting period and term of the options awarded. During the year ended December 31, 2018, we granted 584,846 stock options with a grant date fair value of \$5.2 million. During the year ended December 31, 2017, we granted 455,126 stock options with a grant date fair value of \$3.6 million. During the year ended December 31, 2016, we granted 204,245 stock options, on an adjusted basis, with a grant date fair value of \$0.4 million.

Restricted stock awards are based on the fair value of the award on the grant date and are recognized based on the vesting requirements that have been satisfied during the period. The grant-date fair value of our restricted stock awards is determined using our stock price on the grant date. During the year ended December 31, 2018, we granted 438,182 restricted stock awards with a weighted-average grant date fair value of \$19.52 per share. During the year ended December 31, 2017, we granted 41,117 restricted stock awards with a weighted-average grant date fair value of \$19.91 per share. No restricted stock awards were granted during the year ended December 31, 2016.

During 2018, we approved grants of performance share units (“PSUs”) subject to both performance-based and service-based vesting provisions. Compensation expense related to the PSUs is determined by multiplying the number of shares of Class A Common Stock underlying such awards that, based on the Company’s estimate, are probable to vest, by the measurement-date (i.e., the last day of each reporting period date) fair value and recognized using the accelerated attribution method. As of December 31, 2018, we had 255,364 PSUs valued at \$6.32 per share.

During 2018, we approved grants of stock-settled incentive awards to certain key employees that are subject to both market-based and service-based vesting provisions. Compensation expense associated with the stock-settled incentive awards is recognized ratably over the corresponding requisite service period. The fair value of the stock-settled incentive awards was determined using a Monte Carlo option pricing model, similar to the Black-Scholes-Merton model, and adjusted for the specific characteristics of the awards. The initial estimated fair value being recognized as stock compensation over the vesting period was \$1.5 million.

Our phantom awards were cash-settled awards that were contingent upon meeting certain equity returns and a liquidation event. As a result of the cash-settlement feature of these awards, we considered these awards to be liability awards, which were measured at fair value at each reporting date and the pro rata vested portion of the award was recognized as a liability to the extent that the performance condition was deemed probable. Prior to May 5, 2017, we settled our outstanding phantom unit awards for an aggregate amount equal to \$7.8 million as a result of the completion of our IPO, which constituted a liquidity event with respect to such phantom unit awards. Based on the fair market value of a share of our Class A common stock on the date of our IPO of \$14.00, the cash payment with respect to each phantom unit was approximately \$5.53 before employer taxes.

Under the Merger Agreement, all outstanding Rockwater equity-based awards were replaced by us and converted into our equivalent replacement awards. The portion of the replacement award that is attributable to pre-combination service by the employee is included in the measure of consideration transferred to acquire Rockwater. The remaining fair value of the replacement awards will be recognized as equity-based compensation expense over the remaining vesting period. Total equity-based compensation expense recognized related to Rockwater’s equity-based awards that were replaced by us and converted into our equivalent equity-based awards during the year ended December 31, 2017 was \$5.2 million.

Recent Accounting Pronouncements

Recent accounting pronouncements : In May 2014, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*, which supersedes the revenue recognition requirements in Revenue Recognition (Topic 605), and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. In August 2015, the FASB deferred the effective date by one year to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. As the Company lost its EGC status as of December 31, 2018, the ASU became effective for the calendar year 2018 at December 31, 2018. The Company adopted ASU 2014-09 using the modified retrospective method. The adoption of the ASU and related ASUs 2016-08, 2016-10, 2016-12 and 2016-20, did not have a material impact on the Company’s consolidated financial statements as (i) most customer agreements begin and end within the same period and (ii) the Company’s previous revenue recognition methodologies are consistent with the new guidance.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which modifies the lease recognition requirements and requires entities to recognize the assets and liabilities arising from leases on the balance sheet and to disclose key qualitative and quantitative information about the entity’s leasing arrangements. Based on the original guidance in ASU 2016-02, lessees and lessors would have been required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, including a number of optional practical expedients. In July 2018, the FASB issued ASU No. 2018-11, *Leases (ASC 842): Targeted Improvements*, which provides entities with an option to apply the guidance prospectively, instead of retrospectively, and allows for other classification provisions. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. As the Company lost its EGC status as of December 31, 2018, the ASU will become effective January 1, 2019. The Company will elect to recognize its lease assets and liabilities on a prospective basis, beginning on January 1, 2019, using the modified retrospective transition method. Additionally, the Company will (i) not set up right of use assets and lease liabilities for short-term leases, (ii) will elect to treat lease and non-lease components as a single lease component and (iii) will grandfather its current accounting for land easements that commenced before January 1, 2019, and (iv) used the package of practical expedients not to change prior lease classification, prior treatment of initial direct costs and prior determination of whether a contract constituted a lease. The Company expects the adoption of these ASUs to have a material increase to assets and liabilities on the consolidated balance sheets. Upon adoption, the Company expects the right-of-use assets and operating lease liabilities to range between \$100 million and \$120 million.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which is intended to simplify several aspects of the accounting for share-based payment award transactions. ASU 2016-09 was effective for annual reporting periods beginning after December 15, 2016, and interim periods within those annual periods. As a former EGC utilizing the extended transition period for new accounting pronouncements, this pronouncement was effective for annual reporting periods beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. As the Company lost its EGC status as of December 31, 2018, the ASU became effective for the calendar year 2018 at December 31, 2018. The areas for simplification in this update involve several aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, forfeiture estimates and classification on the statement of cash flows. The adoption of the ASU did not have a material impact on the Company’s consolidated financial statements or related disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which amends U.S. GAAP by introducing a new impairment model for financial instruments that is based on expected credit losses rather than incurred credit losses. The new impairment model applies to most financial assets, including trade accounts receivable. The amendments are effective for interim and annual reporting periods beginning after December 15, 2019, although it may be adopted one year earlier, and requires a modified retrospective transition approach. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, which amends eight specific cash flow issues with the objective of reducing diversity in practice. ASU 2016-15 was effective for annual reporting periods beginning after December 15, 2017, and interim periods within those fiscal years. As a former EGC utilizing the extended transition period for new accounting pronouncements, this pronouncement is effective for calendar year 2018 at December 31, 2018. The amendments in this ASU should be applied using a retrospective approach. The adoption of the ASU did not impact the Company's consolidated statements of cash flows.

In January 2017, the FASB issued ASU 2017-01, *Clarifying the Definition of a Business*, with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This update was effective for fiscal years and interim periods within fiscal years beginning after December 15, 2017. As a former EGC utilizing the extended transition period for new accounting pronouncements the ASU became effective for calendar year 2018. The amendments in this ASU should be applied prospectively. The adoption of the ASU did not impact the Company's consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*. This pronouncement removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. This update is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2019. The amendments in this ASU should be applied prospectively. The Company early adopted ASU 2017-04 during the fourth quarter of 2018 to simplify the annual goodwill impairment testing process. The Company calculated 2018 goodwill impairment based on a simplified model of the difference between the carrying value less fair value.

In May 2017, the FASB issued ASU 2017-09, *Scope of Modification Accounting*. This pronouncement provides guidance about which changes to the terms and conditions of a share-based payment award require an entity to apply modification accounting in ASC 718. The pronouncement should be applied prospectively to an award modified on or after the adoption date. The adoption of the ASU did not affect the Company's consolidated financial statements and related disclosures.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The demand, pricing and terms for oilfield services provided by us are largely dependent upon the level of activity for the U.S. oil and gas industry. Industry conditions are influenced by numerous factors over which we have no control, including, but not limited to: the supply of and demand for oil and gas; current prices as well as expectations about future prices of oil and gas; the cost of exploring for, developing, producing and delivering oil and gas; the expected decline in rates of current production; the discovery rates of new oil and gas reserves; available pipeline and other transportation capacity; weather conditions; domestic and worldwide economic conditions; political instability in oil-producing countries; environmental regulations; technical advances affecting energy consumption; the price and availability of alternative fuels; the ability of oil and gas producers to raise equity capital and debt financing; and merger and divestiture activity among oil and gas producers.

The level of activity in the U.S. oil and gas industry is volatile. Expected trends in oil and gas production activities may not continue and demand for our services may not reflect the level of activity in the industry. Any prolonged substantial reduction in oil and gas prices would likely affect oil and gas drilling and completion activity and therefore affect the demand for our services. A material decline in oil and gas prices or U.S. activity levels could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Interest Rate Risk

At December 31, 2018, we had \$45.0 million outstanding debt under our Credit Agreement. As of February 28, 2019, we had \$45.0 million of outstanding borrowings and \$189.9 million of available borrowing capacity under our Credit Agreement. Interest is calculated under the terms of our Credit Agreement based on our selection, from time to time, of one of the index rates available to us plus an applicable margin that varies based on certain factors. Assuming no

change in the amount currently outstanding at December 31, 2018, the impact on interest expense of a 1% increase or decrease in the assumed weighted average interest rate would be approximately \$0.5 million per year. We do not currently have or intend to enter into any derivative arrangements to protect against fluctuations in interest rates applicable to our outstanding indebtedness.

Foreign Currency Exchange Risk

We are exposed to fluctuations between the U.S. dollar and the Canadian dollar with regard to the activities of our Canadian subsidiary, acquired in the Rockwater Merger, which has designated the Canadian dollar as its functional currency. As such, future earnings are subject to change due to fluctuations in foreign currency exchange rates when transactions are denominated in currencies other than our functional currencies. Given the small size of this business relative to our overall operations, we do not currently have or intend to enter into any derivative arrangements to protect against fluctuations in exchange rates applicable to the Canadian dollar.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The report of our independent registered public accounting firm and our consolidated financial statements and supplementary data are included in this Annual Report beginning on page F-1.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer ("CEO") (principal executive officer) and chief financial officer ("CFO") (principal financial officer), as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well-designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including our CEO and CFO, of the effectiveness of our disclosure controls and procedures as of December 31, 2018. Based on their evaluation, the Company's CEO and CFO have concluded that the Company's disclosure controls and procedures were not effective as of December 31, 2018 because of the material weakness in our internal control over financial reporting described below.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including the CEO and the CFO, we carried out an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2018 using the criteria established in "Internal Control-Integrated Framework" (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Management has identified control deficiencies related to the purchase price accounting related to the Rockwater Merger and the reconciliation of fixed assets physical counts with the general ledger that constitute material weaknesses in our internal control over financial reporting as of December 31, 2018. Specifically, the Company did not design and maintain effective controls with respect to the identification and substantiation of fixed assets purchased in the Rockwater Merger and to the reconciliation of our fixed assets physical counts with the general ledger.

These control deficiencies did not result in a material misstatement to the Company's consolidated financial statements for the year ended December 31, 2018. However, the control deficiencies could result in a misstatement of fixed assets, goodwill, depreciation expense or loss on disposition of assets that could result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, our management has determined that the control deficiencies constitute material weaknesses. Because of the material weaknesses, management concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2018 based on criteria in "Internal Control - Integrated Framework" issued by the COSO.

The effectiveness of our internal control over financial reporting as of December 31, 2018 has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their report, which is included in Item 8 of this Annual Report .

Status of Remediation Efforts

Management is actively engaged in the planning for, and implementation of, remedial efforts to address the material weaknesses identified above. Specifically, management is in the process of implementing changes, including designing and implementing new controls, to validate the completeness and accuracy of fixed assets related to mergers and acquisitions as well as reconciling fixed assets physical counts with the general ledger.

We are committed to maintaining a strong internal control environment and believe that these remediation efforts will be effective in remediating the material weaknesses described above.

While we believe that implementing additional controls around fixed assets will remediate the identified material weaknesses, the material weaknesses in internal control will not be considered fully addressed until the new procedures have been in place for a sufficient period of time and tested to allow management to conclude that the controls are effective.

Changes in Internal Control Over Financial Reporting

Except as noted above, there were no changes in our internal control over financial reporting during the quarter ended December 31, 2018 which materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

Select Energy Services, Inc.

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of Select Energy Services, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2018, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, because of the effect of the material weaknesses described in the following paragraphs on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2018, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

A material weakness is a deficiency, or combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management’s assessment.

Management has identified material weaknesses in internal control over the accounting for the identification and substantiation of fixed assets in purchase accounting related to the business combination with Rockwater and the reconciliation of its fixed assets physical counts with the general ledger.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended December 31, 2018. The material weaknesses identified above were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2018 consolidated financial statements, and this report does not affect our report dated March 1, 2019, which expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying “Management’s Annual Report on Internal Control over Financial Reporting”. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting

principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Other information

We do not express an opinion or any other form of assurance on the status of remediation efforts included in Management's Annual Report on Internal Control over Financial Reporting.

/s/ GRANT THORNTON LLP

Dallas, TX
March 1, 2019

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required in response to this Item 10 will be set forth in our definitive proxy statement for the 2019 annual meeting of stockholders and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required in response to this Item 11 will be set forth in our definitive proxy statement for the 2019 annual meeting of stockholders and is incorporated herein by reference.

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

The information required in response to this Item 12 will be set forth in our definitive proxy statement for the 2019 annual meeting of stockholders and is incorporated herein by reference.

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

The information required in response to this Item 13 will be set forth in our definitive proxy statement for the 2019 annual meeting of stockholders and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required in response to this Item 14 will be set forth in our definitive proxy statement for the 2019 annual meeting of stockholders and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) and (a)(2) Financial Statements and Financial Statement Schedules

Our consolidated financial statements are incorporated under Item 8 of this Annual Report. For a listing of these statements and accompanying notes, see “Index to Financial Statements” on Page F-1 of this Annual Report.

(a)(3) Exhibits

The exhibits required to be filed or furnished under Item 15 of this Annual Report are set forth below in the Exhibit Index included within this Annual Report.

EXHIBIT INDEX

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of July 18, 2017, by and among Select Energy Services, Inc., SES Holdings, LLC, Raptor Merger Sub, Inc., Raptor Merger Sub, LLC, Rockwater Energy Solutions, Inc. and Rockwater Energy Solutions, LLC (incorporated by reference herein to Exhibit 2.1 to Select Energy Services, Inc.'s Current Report on Form 8-K, filed July 19, 2017).
3.1	Third Amended and Restated Certificate of Incorporation of Select Energy Services, Inc. (incorporated by reference herein to Exhibit 4.1 to Select Energy Services, Inc.'s Registration Statement on Form S-8, filed November 2, 2017 (Registration No. 333-221282)).
3.2	Amended and Restated Bylaws of Select Energy Services, Inc. (incorporated by reference herein to Exhibit 3.2 to Select Energy Services, Inc.'s Registration Statement on Form S-1, filed March 2, 2017 (Registration No. 333-216404)).
4.1	Form of Stock Certificate (incorporated by reference herein to Exhibit 4.1 to Select Energy Services, Inc.'s Registration Statement on Form S-1, filed March 2, 2017 (Registration No. 333-216404)).
4.2	Amended and Restated Registration Rights Agreements, dated as of July 18, 2017, by and among Select Energy Services, Inc., SES Legacy Holdings, LLC, Crestview Partners II SES Investment B, LLC, SCF-VI, L.P., SCF-VII, L.P., SCF-VII(A), L.P. and WDC Aggregate LLC (incorporated by reference herein to Exhibit 4.1 to Select Energy Services, Inc.'s Current Report on Form 8-K, filed July 19, 2017).
4.3	Registration Rights Agreement, dated December 20, 2016, by and between Select Energy Services, Inc. and FBR Capital Markets & Co. (incorporated by reference herein to Exhibit 4.3 to Select Energy Services, Inc.'s Registration Statement on Form S-1, filed March 2, 2017 (Registration No. 333-216404)).
4.4	Assignment and Assumption Agreement, dated November 1, 2017, by and between Select Energy Services, Inc. and Rockwater Energy Solutions, Inc. (incorporated by reference herein to Exhibit 4.1 to Select Energy Services, Inc.'s Current Report on Form 8-K, filed November 2, 2017).
4.5	Registration Rights Agreement, dated February 16, 2017, by and between Rockwater Energy Solutions, Inc. and FBR Capital Markets & Co. (incorporated by reference herein to Exhibit 4.2 to Select Energy Services, Inc.'s Current Report on Form 8-K, filed November 2, 2017).
10.1	Credit Agreement, dated November 1, 2017, by and among Select Energy Services, LLC, SES Holdings, LLC, Wells Fargo Bank, N.A., as administrative agent, and the lenders named therein (incorporated by reference herein to Exhibit 10.1 to Select Energy Services, Inc.'s Current Report on Form 8-K, filed November 2, 2017).

[Table of Contents](#)

- †10.2 [Select Energy Services, Inc. 2016 Equity Incentive Plan \(incorporated by reference herein to Exhibit 10.3 to Select Energy Services, Inc.'s Registration Statement on Form S-1, dated March 2, 2017 \(Registration No. 333-216404\)\).](#)
- †10.3 [First Amendment to Select Energy Services, Inc. 2016 Equity Incentive Plan \(incorporated by reference herein to Exhibit 10.2 to Select Energy Services, Inc.'s Quarterly Report on Form 10-Q, filed August 11, 2017\).](#)
- †10.4 [Form of Indemnification Agreement \(incorporated by reference herein to Exhibit 10.4 to Select Energy Services, Inc.'s Registration Statement on Form S-1, dated March 2, 2017 \(Registration No. 333-216404\)\).](#)
- 10.5 [Tax Receivable Agreement, dated December 19, 2016, by and among Select Energy Services, Inc., SES Legacy Holdings, LLC and Crestview Partners II GP, L.P. \(incorporated by reference herein to Exhibit 10.5 to Select Energy Services, Inc.'s Registration Statement on Form S-1, dated March 2, 2017 \(Registration No. 333-216404\)\).](#)
- 10.6 [Amendment No. 1 to Tax Receivable Agreement, dated July 18, 2017, by and among Select Energy Services, Inc., SES Legacy Holdings, LLC and Crestview Partners II GP, L.P. \(incorporated by reference herein to Exhibit 10.3 to Select Energy Services, Inc.'s Quarterly Report on Form 10-Q, filed August 11, 2017\).](#)
- 10.7 [Tax Receivable Agreement, dated December 19, 2016, by and among Select Energy Services, Inc., Crestview Partners II SES Investment B, LLC and Crestview Partners II GP, L.P. \(incorporated by reference herein to Exhibit 10.6 to Select Energy Services, Inc.'s Registration Statement on Form S-1, dated March 2, 2017 \(Registration No. 333-216404\)\).](#)
- 10.8 [Amendment No. 1 to Tax Receivable Agreement, dated July 18, 2017, by and among Select Energy Services, Inc., Crestview Partners II SES Investment B, LLC and Crestview Partners II GP, L.P. \(incorporated by reference herein to Exhibit 10.4 to Select Energy Services, Inc.'s Quarterly Report on Form 10-Q, filed August 11, 2017\).](#)
- 10.9 [Eighth Amended and Restated Limited Liability Company Agreement of SES Holdings, LLC \(incorporated by reference herein to Exhibit 10.9 to Select Energy Services, Inc.'s Registration Statement on Form S-1, dated March 2, 2017 \(Registration No. 333-216404\)\).](#)
- *10.10 [Amendment No. 1 to Eighth Amended and Restated Limited Liability Company Agreement of SES Holdings, LLC.](#)
- †10.11 [Form of Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement under the Select Energy Services, Inc. 2016 Equity Incentive Plan \(incorporated by reference herein to Exhibit 4.4 to Select Energy Services, Inc.'s Registration Statement on Form S-8, filed April 28, 2017 \(Registration No. 333-217561\)\).](#)
- †10.12 [Form of Stock Option Agreement under the Select Energy Services, Inc. 2016 Equity Incentive Plan \(incorporated by reference herein to Exhibit 10.10 to Select Energy Services, Inc.'s Registration Statement on Form S-1, dated March 2, 2017 \(Registration No. 333-216404\)\).](#)
- *†10.13 [Form of Restricted Stock Grant Notice and Restricted Stock Agreement under the Select Energy Services, Inc. 2016 Equity Incentive Plan.](#)
- *†10.14 [Form of Performance Share Unit Grant Notice and Performance Share Unit Agreement under the Select Energy Services, Inc. 2016 Equity Incentive Plan.](#)
- *†10.15 [Form of Stock Option Agreement for John Schmitz under the Select Energy Services, Inc. 2016 Equity Incentive Plan.](#)

[Table of Contents](#)

†10.16	Form of Success Bonus Agreement under the Select Energy Services, Inc. 2016 Equity Incentive Plan (incorporated by reference herein to Exhibit 10.12 to Select Energy Services, Inc.'s Quarterly Report on Form 10-Q, filed May 19, 2017).
†10.17	Select Energy Services, Inc. Employee Stock Purchase Plan (incorporated by reference herein to Exhibit 4.3 to Select Energy Services, Inc.'s Registration Statement on Form S-8, filed February 1, 2018 (Registration No. 333-222816)).
*†10.18	Employment Agreement between Holli C. Ladhani and Rockwater Energy Solutions, Inc., dated June 1, 2011.
*†10.19	Employment Agreement between David J. Nightingale and Rockwater Energy Solutions, Inc., dated April 23, 2012.
*†10.20	Employment Agreement between Paul Pistono and Rockwater Energy Solutions, Inc., dated September 4, 2012.
*†10.21	Separation Agreement and General Release of Claims between Gary M. Gillette and Select Energy Services, LLC, dated January 4, 2019.
*†10.22	Employment Agreement between Michael Skarke and Select Energy Services, LLC, dated January 14, 2019.
*†10.23	Employment Agreement between Nick Swyka and Select Energy Services, LLC, dated March 1, 2019.
*†10.24	Employment Agreement between Adam Law and Select Energy Services, LLC, dated March 1, 2019.
*21.1	List of subsidiaries of Select Energy Services, Inc.
*23.1	Consent of Grant Thornton LLP.
*31.1	Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a).
*31.2	Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a).
*32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.
*32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.
*101	Interactive Data Files
*101.INS	XBRL Instance Document.
*101.SCH	XBRL Taxonomy Extension Schema Document.
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
*101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed or furnished with this Annual Report on Form 10-K.

† Management contract or compensatory plan or arrangement.

**INDEX TO FINANCIAL STATEMENTS
SELECT ENERGY SERVICES, INC.**

	<u>Page(s)</u>
Select Energy Services, Inc.	
<i>Annual Financial Statements</i>	
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2018 and 2017	F-3
Consolidated Statements of Operations for the Years Ended December 31, 2018, 2017 and 2016	F-4
Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2018, 2017 and 2016	F-5
Consolidated Statements of Changes in Equity for the Years Ended December 31, 2018, 2017 and 2016	F-6
Consolidated Statements of Cash Flows for the Years Ended December 31, 2018, 2017 and 2016	F-8
Notes to Consolidated Financial Statements	F-9

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Select Energy Services, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Select Energy Services, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2018, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated March 1, 2019 expressed an adverse opinion.

Basis for opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the 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 financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the 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 supporting the amounts and disclosures in the 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company’s auditor since 2016.

Dallas, Texas
March 1, 2019

SELECT ENERGY SERVICES, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	As of December 31,	
	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 17,237	\$ 2,774
Accounts receivable trade, net of allowance for doubtful accounts of \$5,329 and \$2,979, respectively	341,711	373,633
Accounts receivable, related parties	1,119	7,669
Inventories	44,992	44,598
Prepaid expenses and other current assets	27,093	17,842
Total current assets	432,152	446,516
Property and equipment	1,114,378	1,034,995
Accumulated depreciation	(611,530)	(560,886)
Property and equipment, net	502,848	474,109
Goodwill	273,801	273,421
Other intangible assets, net	148,377	156,066
Other assets	3,427	6,256
Total assets	\$ 1,360,605	\$ 1,356,368
Liabilities and Equity		
Current liabilities		
Accounts payable	\$ 53,847	\$ 52,579
Accrued accounts payable	62,536	45,857
Accounts payable and accrued expenses, related parties	5,056	2,772
Accrued salaries and benefits	22,113	21,324
Accrued insurance	14,849	12,510
Sales tax payable	5,820	12,931
Accrued expenses and other current liabilities	14,560	35,255
Current portion of capital lease obligations	938	1,965
Total current liabilities	179,719	185,193
Accrued lease obligations	16,752	18,979
Other long-term liabilities	8,361	13,827
Long-term debt	45,000	75,000
Total liabilities	249,832	292,999
Commitments and contingencies (Note 10)		
Class A common stock, \$0.01 par value; 350,000,000 shares authorized and 78,956,555 shares issued and outstanding as of December 31, 2018; 350,000,000 shares authorized and 59,182,176 shares issued and outstanding as of December 31, 2017	790	592
Class A-2 common stock, \$0.01 par value; 40,000,000 shares authorized, no shares issued or outstanding as of December 31, 2018; 40,000,000 shares authorized, 6,731,845 shares issued and outstanding as of December 31, 2017	—	67
Class B common stock, \$0.01 par value; 150,000,000 shares authorized and 26,026,843 shares issued and outstanding as of December 31, 2018; 150,000,000 shares authorized and 40,331,989 shares issued and outstanding as of December 31, 2017	260	404
Preferred stock, \$0.01 par value; 50,000,000 shares authorized and no shares issued and outstanding as of December 31, 2018 and December 31, 2017	—	—
Additional paid-in capital	813,599	673,141
Retained earnings (accumulated deficit)	18,653	(17,859)
Accumulated other comprehensive (deficit) income	(368)	302
Total stockholders' equity	832,934	656,647
Noncontrolling interests	277,839	406,722
Total equity	1,110,773	1,063,369
Total liabilities and equity	\$ 1,360,605	\$ 1,356,368

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

SELECT ENERGY SERVICES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)

	Year Ended December 31,		
	2018	2017	2016
Revenue			
Water solutions and related services	\$ 1,145,733	\$ 546,043	\$ 241,455
Accommodations and rentals	66,744	53,888	27,151
Wellsite completion and construction services	56,662	50,974	33,793
Oilfield chemical product sales	259,791	41,586	—
Total revenue	1,528,930	692,491	302,399
Costs of revenue			
Water solutions and related services	873,413	411,215	200,399
Accommodations and rentals	44,115	41,885	22,019
Wellsite completion and construction services	48,929	42,942	29,089
Oilfield chemical product sales	233,454	37,024	—
Depreciation and amortization	130,537	101,645	95,020
Total costs of revenue	1,330,448	634,711	346,527
Gross profit (loss)	198,482	57,780	(44,128)
Operating expenses			
Selling, general and administrative	103,156	82,403	34,643
Depreciation and amortization	3,176	1,804	2,087
Impairment of goodwill	17,894	—	138,666
Impairment of property and equipment	6,657	—	60,026
Impairment of cost-method investment	2,000	—	—
Lease abandonment costs	3,925	3,572	19,423
Total operating expenses	136,808	87,779	254,845
Income (loss) from operations	61,674	(29,999)	(298,973)
Other income (expense)			
Interest expense, net	(5,311)	(6,629)	(16,128)
Foreign currency gain (loss), net	(1,292)	281	—
Other income, net	932	369	629
Income (loss) before income tax expense (benefit)	56,003	(35,978)	(314,472)
Income tax (expense) benefit	(1,704)	851	524
Net income (loss)	54,299	(35,127)	(313,948)
Less: net loss attributable to Predecessor	—	—	306,481
Less: net (income) loss attributable to noncontrolling interests	(17,787)	18,311	6,424
Net income (loss) attributable to Select Energy Services, Inc.	\$ 36,512	\$ (16,816)	\$ (1,043)
Net income (loss) per share attributable to common stockholders (Note 16):			
Class A—Basic	\$ 0.49	\$ (0.51)	\$ (0.05)
Class A-1—Basic	\$ —	\$ (0.51)	\$ (0.05)
Class A-2—Basic	\$ 0.49	\$ (0.51)	\$ —
Class B—Basic	\$ —	\$ —	\$ —
Net income (loss) per share attributable to common stockholders (Note 16):			
Class A—Diluted	\$ 0.49	\$ (0.51)	\$ (0.05)
Class A-1—Diluted	\$ —	\$ (0.51)	\$ (0.05)
Class A-2—Diluted	\$ 0.49	\$ (0.51)	\$ —
Class B—Diluted	\$ —	\$ —	\$ —

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

SELECT ENERGY SERVICES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Year Ended December 31,		
	2018	2017	2016
Net income (loss)	\$ 54,299	\$ (35,127)	\$(313,948)
Other comprehensive income (loss)			
Interest rate derivatives designated as cash flow hedges			
Unrealized holding loss arising during period	—	—	(106)
Net amount reclassified to earnings	—	—	113
Foreign currency translation adjustment, net of tax of \$0	(670)	302	—
Net change in unrealized gain (loss)	(670)	302	7
Comprehensive income (loss)	53,629	(34,825)	(313,941)
Less: comprehensive loss attributable to Predecessor	—	—	306,474
Less: comprehensive (income) loss attributable to noncontrolling interests	(17,568)	18,154	6,424
Comprehensive income (loss) attributable to Select Energy Services, Inc.	<u>\$ 36,061</u>	<u>\$ (16,671)</u>	<u>\$ (1,043)</u>

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

SELECT ENERGY SERVICES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands, except share data)

	Predecessor		Class A Stockholders		Class A-1 Stockholders		Class A-2 Stockholders		Class B Stockholders		Preferred Stockholders		Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interests	Total
	Units	Members' Capital	Shares	Class A Common Stock	Shares	Class A-1 Common Stock	Shares	Class A-2 Common Stock	Shares	Class B Common Stock	Shares	Preferred Stock						
Balance as of December 31, 2015	38,398,649	\$ 317,161	—	\$ —	—	\$ —	—	\$ —	—	\$ —	—	\$ —	\$ —	\$ —	(7)	\$ —	\$ 10,621	\$ 327,775
Member contributions	3,866,864	23,519	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	23,519
Purchase of additional controlling interest	—	707	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,055)	(348)
Noncontrolling interest in subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	138	138
Equity-based compensation	—	317	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	317
Fair value of interest rate swap	—	—	—	—	—	—	—	—	—	—	—	—	—	—	7	—	—	7
Net loss prior to 144A Offering	—	(306,481)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(4,407)	(310,888)
Balance prior to reorganization and 144A Offering transactions	42,265,513	35,223	—	—	—	—	—	—	—	—	—	—	—	—	—	—	5,297	40,520
Reorganization and 144A Offering	(42,265,513)	(35,223)	3,802,972	38	16,100,000	161	—	—	38,462,541	385	—	—	331,887	—	—	332,471	—	297,248
Initial allocation of noncontrolling interest of Select Energy Services, Inc. effective on date of 144A Offering	—	—	—	—	—	—	—	—	—	—	—	—	(218,712)	—	—	(218,712)	218,712	—
Balance subsequent to reorganization and 144A Offering transactions	—	—	3,802,972	38	16,100,000	161	—	—	38,462,541	385	—	—	113,175	—	—	113,759	224,009	337,768
Net loss subsequent to reorganization and 144A Offering	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,043)	—	(1,043)	(2,017)	(3,060)
Balance as of December 31, 2016	—	—	3,802,972	38	16,100,000	161	—	—	38,462,541	385	—	—	113,175	(1,043)	—	112,716	221,992	334,708
Conversion of Class A-1 common stock to Class A common stock	—	—	16,100,000	161	(16,100,000)	(161)	—	—	—	—	—	—	—	—	—	—	—	—
Exchange of shares of Class B common stock and SES Holdings LLC Units for shares of Class A common stock	—	—	2,487,029	25	—	—	—	—	(2,487,029)	(25)	—	—	16,298	—	—	16,298	(16,298)	—
Issuance of shares for acquisitions	—	—	560,277	6	—	—	—	—	—	—	—	—	4,995	—	—	5,001	4,879	9,880
Issuance of shares for merger	—	—	26,246,115	262	—	—	6,731,845	67	4,356,477	44	—	—	447,242	—	—	447,615	170,276	617,891
Issuance of shares for initial public offering	—	—	10,005,000	100	—	—	—	—	—	—	—	—	87,269	—	—	87,369	41,135	128,504
Equity-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	4,346	—	—	4,346	3,345	7,691
Repurchase of common stock	—	—	(19,217)	—	—	—	—	—	—	—	—	—	(184)	—	—	(184)	(113)	(297)
Noncontrolling interest in subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(368)	(368)
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	—	—	—	—	—	302	302	185	487
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	(16,816)	—	(16,816)	(18,311)	(35,127)
Balance as of December 31, 2017	—	—	59,182,176	592	—	—	6,731,845	67	40,331,989	404	—	—	673,141	(17,859)	302	656,647	406,722	1,063,369
Conversion of Class A-2 common stock to Class A common stock	—	—	6,731,839	67	—	—	(6,731,839)	(67)	—	—	—	—	—	—	—	—	—	—

[Table of Contents](#)

Exchange of SES Holdings LLC Units and Class B common stock for Class A common stock	—	—	14,305,146	144	—	—	—	—	(14,305,146)	(144)	—	—	146,865	—	—	146,865	(146,865)	—												
ESPP shares issued	—	—	9,793	—	—	—	—	—	—	—	—	—	132	—	—	132	(15)	117												
Equity-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	7,312	—	—	7,312	3,059	10,371												
Issuance of restricted shares	—	—	438,182	4	—	—	—	—	—	—	—	—	2,321	—	—	2,325	(2,325)	—												
Exercise of restricted stock units	—	—	27,860	—	—	—	—	—	—	—	—	—	104	—	—	104	(104)	—												
Stock options exercised	—	—	79,333	1	—	—	—	—	—	—	—	—	1,018	—	—	1,019	(374)	645												
Repurchase of common stock	—	—	(1,766,428)	(17)	—	—	(6)	—	—	—	—	—	(17,121)	—	—	(17,138)	576	(16,562)												
Restricted shares forfeited	—	—	(51,346)	(1)	—	—	—	—	—	—	—	—	(382)	—	—	(383)	383	—												
Distributions to noncontrolling interests, net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(506)	(506)											
NCI income tax adjustment	—	—	—	—	—	—	—	—	—	—	—	—	209	—	—	209	(209)	—												
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(670)	(670)	(290)	(960)												
Net income	—	—	—	—	—	—	—	—	—	—	—	—	—	36,512	—	36,512	17,787	54,299												
Balance as of December 31, 2018	—	\$	—	78,956,555	\$	790	—	\$	—	—	\$	—	26,026,843	\$	260	—	\$	—	\$	813,599	\$	18,653	\$	(368)	\$	832,934	\$	277,839	\$	1,110,773

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

SELECT ENERGY SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2018	2017	2016
Cash flows from operating activities			
Net income (loss)	\$ 54,299	\$ (35,127)	\$ (313,948)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities			
Depreciation and amortization	133,713	103,449	97,107
Net gain on disposal of property and equipment	(3,803)	(2,726)	(97)
Gain realized on previously held interest in Rockwater	—	(1,210)	—
Bad debt expense	2,210	1,542	2,385
Amortization of debt issuance costs	688	4,031	3,435
Inventory write-down	442	—	—
Equity-based compensation	10,371	7,691	317
Impairment of goodwill	17,894	—	138,666
Impairment of property and equipment	6,657	—	60,026
Impairment of cost-method investment	2,000	—	—
Other operating items, net	1,287	(353)	(1,619)
Changes in operating assets and liabilities			
Accounts receivable	36,537	(100,485)	1,290
Prepaid expenses and other assets	(9,115)	(2,177)	1,224
Accounts payable and accrued liabilities	(20,771)	22,466	16,345
Net cash provided by (used in) operating activities	<u>232,409</u>	<u>(2,899)</u>	<u>5,131</u>
Cash flows from investing activities			
Acquisitions, net of cash received ⁽¹⁾	(16,999)	(65,488)	—
Purchase of property and equipment	(165,360)	(98,722)	(36,290)
Proceeds received from sale of property and equipment	13,998	7,479	9,335
Net cash used in investing activities	<u>(168,361)</u>	<u>(156,731)</u>	<u>(26,955)</u>
Cash flows from financing activities			
Proceeds from 144A Offering, net of underwriter fees and expenses	—	—	297,248
Proceeds from revolving line of credit and issuance of long-term debt	60,000	109,000	27,500
Payments on long-term debt	(90,000)	(111,000)	(298,000)
Payments of capital lease obligations	(1,881)	—	—
Payment of debt issuance costs	—	(3,442)	(4,497)
Proceeds from initial public offering	—	140,070	—
Proceeds from share issuance	762	—	—
Payments incurred for initial public offering	—	(11,566)	—
Purchase of noncontrolling interests	—	—	(348)
Distributions to noncontrolling interests, net	(506)	(368)	138
Repurchase of common stock	(16,562)	(297)	—
Member contributions (distributions)	—	—	23,519
Contingent consideration	(1,106)	—	—
Net cash (used in) provided by financing activities	<u>(49,293)</u>	<u>122,397</u>	<u>45,560</u>
Effect of exchange rate changes on cash	(292)	(34)	—
Net increase (decrease) in cash and cash equivalents	14,463	(37,267)	23,736
Cash and cash equivalents, beginning of period	2,774	40,041	16,305
Cash and cash equivalents, end of period	<u>\$ 17,237</u>	<u>\$ 2,774</u>	<u>\$ 40,041</u>
Supplemental cash flow disclosure:			
Cash paid for interest	\$ 5,243	\$ 1,999	\$ 12,773
Cash (refunds) paid for income taxes	\$ (550)	\$ (54)	\$ (192)
Supplemental disclosure of noncash investing activities:			
Capital expenditures included in accounts payable and accrued liabilities	<u>\$ 17,910</u>	<u>\$ 11,137</u>	<u>\$ 1,563</u>

(1) Includes \$12.4 million to acquire Pro Well, \$2.6 million to acquire pipeline assets and \$2.0 million to acquire water rights.
The accompanying notes to consolidated financial statements are an integral part of these financial statements.

SELECT ENERGY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—BUSINESS AND BASIS OF PRESENTATION

Description of the business : Select Energy Services, Inc. (“we,” “Select Inc.” or “the Company”) was incorporated as a Delaware corporation on November 21, 2016. The Company is a holding company whose sole material asset consists of a membership interest in SES Holdings, LLC (“SES Holdings” or the “Predecessor”). Unless otherwise stated or the context otherwise indicates, all references to the “Company” or similar expressions for time periods prior to the reorganization and Select 144A Offering transactions (as defined below) refer to SES Holdings and its subsidiaries. For time periods subsequent to the reorganization and Select 144A Offering transactions, these terms refer to Select Energy Services and its subsidiaries.

On November 1, 2017, the Company completed the transactions in which subsidiaries of Select Inc. and SES Holdings merged with Rockwater Energy Solutions, Inc. (“Rockwater”) and Rockwater Energy Solutions, LLC (“Rockwater LLC”), respectively, in a stock-for-stock and a unit-for-unit transaction (the “Rockwater Merger”). Rockwater operations described in this report describe the operations of Rockwater LLC. See Note 3—Acquisitions for further discussion.

We are a leading provider of water-management solutions to the oil and gas industry in North America. We also develop, manufacture and deliver chemical solutions for use in oil and gas well completions and production operations. Within the major shale plays in the United States, we believe we are a market leader in water sourcing, water transfer (both by permanent pipeline and temporary hose) and temporary water containment prior to its use in drilling and completion activities associated with hydraulic fracture stimulation or “fracking,” which we refer to collectively as “pre-frac water services”. In addition, we provide testing and flowback services immediately following the well completion. In most of our areas of operations, we also provide additional complementary water-related services that support oil and gas well completion and production activities, including monitoring, treatment, hauling, water recycling and disposal. We also manufacture a full suite of specialty chemicals used in the fracturing process, and we provide chemicals needed by our customers to help increase oil and gas production and lower costs over the life of a well. We believe we are the only company in the oilfield services industry that combines water-management services with related chemical products.

We also offer wellsite services that complement our water-management and chemical solutions offerings. These services include equipment rental, accommodations, crane and logistics services, wellsite and pipeline construction, field and well services, sand-hauling and fluid-logistics services. In addition, we provide water transfer, fluid hauling, containment and rental services in Canada.

Reorganization : On December 20, 2016, Select Inc. completed a private placement (the “Select 144A Offering”) of 16,100,000 shares of Select Inc. Class A-1 common stock, par value \$0.01 per share (“Class A-1 Common Stock”) at an offering price of \$20.00 per share. In conjunction with the Select 144A Offering, SES Holdings’ then existing Class A and Class B units were converted into a single class of common units (the “SES Holdings LLC Units”) and SES Holdings effected a 10.3583 for 1 unit split. In exchange for the contribution of all net proceeds from the Select 144A Offering to SES Holdings, SES Holdings issued 16,100,000 SES Holdings LLC Units to Select Inc., and Select Inc. became the sole managing member of SES Holdings. Select Inc. issued 38,462,541 shares of its Class B common stock, par value \$0.01 per share (“Class B Common Stock”), to the other member of SES Holdings, SES Legacy Holdings, LLC (“Legacy Owner Holdco”) or one share for each SES Holdings LLC Unit held by Legacy Owner Holdco. Select Inc. also acquired 3,802,972 SES Holdings LLC Units from certain legacy owners (the “Contributing Legacy Owners”) in exchange for the issuance of 3,802,972 shares of Select Inc. Class A common stock, par value \$0.01 per share (“Class A Common Stock”). Upon the effectiveness of a shelf registration statement registering such shares for resale on June 13, 2017, all shares of Class A-1 Common Stock converted into shares of Class A Common Stock on a one-for-one basis. Refer below for further discussion. Shareholders of Class A Common Stock and Class B Common Stock vote together as a single class on all matters, subject to certain exceptions in the Company’s amended and restated certificate of incorporation. Holders of Class B Common Stock have voting rights only and are not entitled to an

economic interest in Select Inc. based on their ownership of Class B Common Stock. The reorganization transactions were treated as a combination of entities under common control with assets and liabilities transferred at their carrying amounts in a manner similar to a pooling of interests.

Initial Public Offering: On April 26, 2017, the Company completed its initial public offering (“IPO”) of 8,700,000 shares of Class A Common Stock at a price of \$14.00 per share. On May 10, 2017, the underwriters of the IPO exercised their over-allotment option to purchase an additional 1,305,000 shares of Class A Common Stock at the IPO price of \$14.00 per share. After deducting underwriting discounts and commissions and estimated offering expenses payable by it, the Company received \$128.5 million of the aggregate net proceeds from the IPO (including the over-allotment option). The Company contributed all of the net proceeds received by it to SES Holdings in exchange for SES Holdings LLC Units. SES Holdings used the net proceeds in the following manner: (i) \$34.0 million was used to repay borrowings incurred under the Company’s Previous Credit Facility (as defined and discussed in Note 9) to fund the cash portion of the purchase price of the GRR Acquisition, as described below, (ii) \$7.8 million was used for the cash settlement of outstanding phantom unit awards and (iii) the remaining net proceeds were used for general corporate purposes, including funding capital expenditures.

Rockwater Merger: On November 1, 2017, we completed the Rockwater Merger, as contemplated by the Agreement and Plan of Merger, dated as of July 18, 2017 (the “Merger Agreement”), by and among us, SES Holdings, Raptor Merger Sub, Inc., a Delaware corporation and our wholly owned subsidiary, Raptor Merger Sub, LLC, a Delaware limited liability company and an indirect wholly owned subsidiary of SES Holdings, Rockwater and Rockwater LLC. Pursuant to the Merger Agreement, we combined with Rockwater in a stock-for-stock transaction in which we issued approximately 25.9 million shares of Class A Common Stock, 6.7 million shares of Select Inc. Class A-2 common stock, par value \$0.01 (the “Class A-2 Common Stock”) and 4.4 million shares of Class B Common Stock to the former holders of Rockwater common stock and a unit-for-unit transaction in which SES Holdings issued approximately 37.3 million SES Holdings LLC Units to the former holders of units in Rockwater LLC. See Note 3 — Acquisitions for further discussion.

Credit Agreement: Concurrent with the Rockwater Merger, the Company entered into a \$300.0 million senior secured revolving credit facility (the “Credit Agreement”). In addition, the obligations under the Previous Credit Facility were repaid in full and the Previous Credit Facility was terminated. See Note 9— Debt for further discussion .

Exchange rights : Under the Eighth Amended and Restated Limited Liability Company Agreement of SES Holdings (the “SES Holdings LLC Agreement”), Legacy Owner Holdco and its permitted transferees have the right (an “Exchange Right”) to cause SES Holdings to acquire all or a portion of its SES Holdings LLC Units for, at SES Holdings’ election, (i) shares of Class A Common Stock at an exchange ratio of one share of Class A Common Stock for each SES Holdings LLC Unit exchanged, subject to conversion rate adjustments for stock splits, stock dividends, reclassification and other similar transactions or (ii) cash in an amount equal to the Cash Election Value (as defined within the SES Holdings LLC Agreement) of such Class A Common Stock. Alternatively, upon the exercise of any Exchange Right, Select Inc. has the right (the “Call Right”) to acquire the tendered SES Holdings LLC Units from the exchanging unitholder for, at its election, (i) the number of shares of Class A Common Stock the exchanging unitholder would have received under the Exchange Right or (ii) cash in an amount equal to the Cash Election Value of such Class A Common Stock. In connection with any exchange of SES Holdings LLC Units pursuant to an Exchange Right or Call Right, the corresponding number of shares of Class B Common Stock will be cancelled.

Registration rights : In December 2016, in connection with the closing of the Select 144A Offering, Select Inc. entered into a registration rights agreement with FBR Capital Markets & Co. for the benefit of the investors in the Select 144A Offering. Under this registration rights agreement, the Company agreed, at its expense, to file with the SEC, in no event later than April 30, 2017, a shelf registration statement registering for resale the 16,100,000 shares of Class A Common Stock issuable upon conversion of the Class A-1 Common Stock sold in the Select 144A Offering plus any additional shares of Class A-1 Common Stock issued in respect thereof whether by stock dividend, stock distribution, stock split or otherwise, and to use commercially reasonable efforts to cause such registration statement to be declared effective by the SEC as soon as practicable but in any event within 60 days after the closing of the IPO. The Company filed this registration statement with the SEC on April 28, 2017 and this registration statement was declared effective by the SEC on June 13, 2017. Accordingly, each share of Class A-1 Common Stock outstanding automatically converted

into a share of Class A Common Stock on a one-for-one basis at that time. In addition, Legacy Owner Holdco has the right, under certain circumstances, to cause the Company to register the shares of Class A Common Stock obtained pursuant to the Exchange Right. Legacy Owner Holdco exercised this right in May 2018, and the registration statement registering these shares was declared automatically effective by the SEC on May 16, 2018.

Rockwater Registration Rights Agreement: In connection with the closing of the Rockwater Merger, pursuant to that certain Assignment and Assumption Agreement (the “Assignment and Assumption Agreement”), dated as of November 1, 2017, by and between Rockwater and Select Inc., Rockwater assigned, and Select Inc. assumed, Rockwater’s rights and obligations under that certain Registration Rights Agreement made and entered into as of February 16, 2017, between Rockwater and FBR Capital Markets & Co. (as assumed by Select Inc. pursuant to the Assignment and Assumption Agreement, the “Rockwater Registration Rights Agreement”). Under the Rockwater Registration Rights Agreement, Select Inc. agreed, at its expense, to file with the SEC a shelf registration statement registering for resale shares of Class A Common Stock into which the outstanding shares of Class A-2 Common Stock were convertible, and to cause such registration statement to be declared effective by the SEC as soon as practicable but in any event within 180 days after the initial filing of such registration statement.

On January 12, 2018, the Company, pursuant to the Rockwater Registration Rights Agreement, filed with the SEC, a shelf registration statement registering for resale of 6,653,777 shares of Class A Common Stock into which certain of the outstanding shares of Class A-2 Common Stock registered under such registration statement were convertible. Pursuant to the Company’s Third Amended and Restated Certificate of Incorporation, upon the effectiveness of this registration statement on March 29, 2018, each outstanding share of Class A-2 Common Stock converted automatically into a share of Class A Common Stock on a one-for-one basis. No shares of Class A-2 Common Stock are currently outstanding.

Tax Receivable Agreements : In connection with the Company’s restructuring at the Select 144A Offering, Select Inc. entered into two tax receivable agreements (the “Tax Receivable Agreements”) with Legacy Owner Holdco and certain other affiliates of the then-holders of SES Holdings LLC Units (each such person and any permitted transferee thereof, a “TRA Holder,” and together, the “TRA Holders”). On July 18, 2017, the Company’s board of directors approved amendments to each of the Tax Receivable Agreements. See Note 13—Related Party Transactions for further discussion.

Basis of presentation : The accompanying consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) and pursuant to the rules and regulations of the SEC. The consolidated financial statements include the accounts of the Company and all of its majority-owned or controlled subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

For investments in subsidiaries that are not wholly owned, but where the Company exercises control, the equity held by the minority owners and their portion of net income or loss are reflected as noncontrolling interests. Investments in entities in which the Company exercises significant influence over operating and financial policies are accounted for using the equity method, and investments in entities for which the Company does not have significant control or influence are accounted for using the cost-method. As of December 31, 2018, the Company has no equity method investees and one cost-method investee. The Company’s investments are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. When circumstances indicate that the fair value of its investment is less than its carrying value and the reduction in value is other than temporary, the reduction in value is recognized in earnings. During the first quarter of 2018, the Company determined that its cost-method investee was no longer fully recoverable and was written down to its estimated fair value of \$0.5 million. The impairment expense of \$2.0 million is included in impairment of cost-method investment within the consolidated statements of operations.

Segment reporting : The Company has three operating and reportable segments. Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker (“CODM”) in deciding how to allocate resources and assess performance. As a result of the Rockwater Merger on November 1, 2017, the Company reorganized its reporting structure and aligned its segments and underlying businesses to execute on the strategies of the combined company. The Company’s revised operating and reportable

segments are Water Solutions, Oilfield Chemicals and Wellsite Services. Accordingly, prior period segment information has been retrospectively revised for the year ended December 31, 2016. Corporate and other expenses that do not individually meet the criteria for segment reporting are reported separately as Corporate.

Reclassifications : Certain reclassifications have been made to the Company’s prior period consolidated financial information in order to conform to the current year presentation. These presentation changes did not impact the Company’s consolidated net income, consolidated cash flows, total assets, total liabilities or total stockholders’ equity.

Immaterial error correction : The Company made a correction of an immaterial error, which resulted in a \$16.0 million increase in goodwill, a \$16.0 million reduction in property, plant and equipment a \$3.2 million reduction in depreciation expense and a \$3.2 million increase in income from operations. The adjustment was the result of incorrectly assigning value to certain property, plant and equipment in the Rockwater Merger.

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES

Use of estimates : The preparation of consolidated financial statements in conformity with GAAP 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. Actual results could differ from those estimates.

On an ongoing basis, the Company evaluates its estimates, including those related to the recoverability of long-lived assets and intangibles, useful lives used in depreciation and amortization, uncollectible accounts receivable, income taxes, self-insurance liabilities, share-based compensation, inventory and contingent liabilities. The Company bases its estimates on historical and other pertinent information that are believed to be reasonable under the circumstances. The accounting estimates used in the preparation of the consolidated financial statements may change as new events occur, as more experience is acquired, as additional information is obtained and as the Company’s operating environment changes.

Cash and cash equivalents : The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts receivable and allowance for doubtful accounts : Accounts receivable are stated at the invoiced amount, or the earned but not yet invoiced amount, net of an allowance for doubtful accounts. The Company establishes an allowance for doubtful accounts based on the review of several factors, including historical collection experience, the current aging status of the customer accounts and financial condition of its customers. Accounts receivable are written off when a settlement is reached for an amount less than the outstanding historical balance or when the Company determines that it is probable the balance will not be collected.

The change in allowance for doubtful accounts is as follows:

	For the year ended December 31,		
	2018	2017	2016
	(in thousands)		
Balance at beginning of year	\$ 2,979	\$ 2,144	\$ 2,351
Provisions for bad debts, included in selling, general and administrative	2,210	1,542	2,385
Uncollectible receivable recoveries (write-offs)	140	(707)	(2,592)
Balance at end of year	<u>\$ 5,329</u>	<u>\$ 2,979</u>	<u>\$ 2,144</u>

Concentrations of credit and customer risk : Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and trade accounts receivable. The amounts held in financial institutions periodically exceed the federally insured limit. Management believes that the financial institutions are financially sound and the risk of loss is minimal. The Company minimizes its exposure to counterparty credit risk by performing credit evaluations and ongoing monitoring of the financial stability of its customers. There

[Table of Contents](#)

were no customers that accounted for more than 10.0% of the Company's consolidated revenues for the years ended December 31, 2018, 2017 and 2016.

Inventories : The Company values its inventories at lower of cost or net realizable value. Inventory costs are determined under the weighted-average method. Inventory costs primarily consist of chemicals and materials available for resale and parts and consumables used in operations.

Debt issuance costs : Debt issuance costs consist of costs directly associated with obtaining credit with financial institutions. These costs are recorded as a direct deduction from the carrying value of the associated debt liability and are generally amortized on a straight-line basis over the life of the credit agreement, which approximates the effective-interest method. During the year ended December 31, 2017, the Company expensed unamortized debt issuance costs of \$2.9 million upon repayment and termination of the Previous Credit Facility. In connection with the entry into the Credit Agreement, the Company incurred debt issuance cost of \$3.4 million. Amortization expense for debt issuance costs was \$0.7 million, \$4.0 million and \$3.4 million for the years ended December 31, 2018, 2017 and 2016, respectively, and is included in interest expense in the consolidated statements of operations.

Property and equipment : Property and equipment are stated at cost less accumulated depreciation.

Depreciation (and amortization of capital lease assets) is calculated on a straight line basis over the estimated useful life of each asset as noted below:

Asset Classification	Useful Life (years)
Land	Indefinite
Buildings and leasehold improvements	30 or lease term
Vehicles and equipment	4 - 8
Machinery and equipment	2 - 15
Computer equipment and software	3 - 4
Office furniture and equipment	7
Disposal wells	7 - 10

Depreciation expense related to the Company's property and equipment, including amortization of property under capital leases, was \$120.4 million, \$92.6 million and \$88.2 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Change in depreciable lives of property and equipment: In accordance with its policy, the Company reviews the estimated useful lives and estimated salvage values of its fixed assets on an ongoing basis. This most recent review, conducted in the first quarter of 2018, indicated that the economic lives of certain assets were longer than the historic asset lives previously used by the Company. This increase was positively supported by effective use, care and custody of the assets. Also, this review indicated increased salvage value estimates for certain assets within vehicles and equipment, which was supported by recent vehicle sales data, and is expected to continue prospectively. As a result, effective January 1, 2018, the Company changed its estimates of the useful lives of certain assets included in vehicles and equipment and machinery and equipment, and increased salvage value estimates for certain assets within vehicles and equipment, to better reflect the estimated periods and depreciable amounts during which these assets will remain in service.

The average estimated useful lives of the assets impacted in the vehicles and equipment category increased from 6.0 to 8.1 years, while the average estimated useful lives of assets impacted in machinery and equipment increased from 5.5 years to 6.9 years. The impact of the increase of useful lives was to defer and extend out depreciation expense, including lower expense in 2018. The impact of the increase in salvage values was to permanently lower current and future depreciation expense. The fixed assets obtained in 2017 through mergers and acquisitions, including the Rockwater Merger, have consistent useful life and salvage value estimates with the rest of the Company's fixed assets.

The change in the estimated useful lives of fixed assets and change in salvage value estimates was implemented on a prospective basis starting January 1, 2018. Excluding fixed assets attained through mergers and acquisitions during

2017, the impact of the change in useful estimate of fixed assets purchased on or before December 31, 2017 was to reduce and defer depreciation expense by \$12.6 million during the year ended December 31, 2018. Also, the increase in estimated vehicle salvage value produced a permanent depreciation expense reduction of \$3.9 million during the year ended December 31, 2018. For the year ended December 31, 2018, the changes in useful life estimate and increased salvage value produced an increase to net income of \$10.9 million (including the impact of noncontrolling interests) and increased both basic and diluted earnings per share attributable to our stockholders by \$0.15.

Expenditures for additions to property and equipment and major replacements are capitalized when they significantly increase the functionality or extend the useful life of the asset. Gains and losses on dispositions, maintenance, repairs and minor replacements are included in the consolidated statements of operations as incurred. See Note 7—Property and Equipment for further discussion.

Business Combinations: The Company records business combinations using the acquisition method of accounting. Under the acquisition method of accounting, identifiable assets acquired and liabilities assumed are recorded at their acquisition date fair values. The excess of the purchase price over the estimated fair value is recorded as goodwill. Changes in the estimated fair values of net assets recorded for acquisitions prior to the finalization of more detailed analysis, but not to exceed one year from the date of acquisition, will adjust the amount of the purchase price allocable to goodwill. Measurement period adjustments are reflected in the period in which they occur.

Goodwill and other intangible assets : Goodwill represents the excess of the purchase price of acquisitions over the fair value of the net assets acquired. Goodwill and other intangible assets not subject to amortization are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Intangible assets with finite useful lives are amortized either on a straight-line basis over the asset's estimated useful life or on a basis that reflects the pattern in which the economic benefits of the intangible assets are realized.

Impairment of goodwill, long-lived assets and intangible assets : Long-lived assets, such as property and equipment and finite-lived intangible assets, are evaluated for impairment whenever events or changes in circumstances indicate that its carrying value may not be recoverable. Recoverability is measured by a comparison of its carrying amount to the estimated undiscounted cash flows to be generated by those assets. If the undiscounted cash flows are less than the carrying amount, the Company records impairment losses for the excess of its carrying value over the estimated fair value. The development of future cash flows and the estimate of fair value represent its best estimates based on industry trends and reference to market transactions and are subject to variability. The Company considers the factors within the fair value analysis to be Level 3 inputs within the fair value hierarchy. During the year ended December 31, 2018, the Company reviewed certain fluid disposal machinery and equipment used in our fluid hauling and disposal services that are included in our Water Solutions segment. Due to the condition of the equipment, the Company determined that long-lived assets with a carrying value of \$2.3 million were no longer recoverable and were written down to their estimated fair value of zero. Additionally, the Company determined that \$4.4 million of Canadian fixed assets were impaired due to an expectation of a loss on asset disposals. The Company determined that triggering events existed during 2016 resulting in an evaluation of the recoverability of the carrying value of certain property and equipment. As a result of this evaluation, the Company recorded impairment of property and equipment of \$60.0 million related to the Company's Water Solutions segment and impairment of other intangible assets of \$0.1 million related to the Company's Wellsite Services segment. As a result of this annual impairment test, the Company recorded no impairment of property and equipment during the year ended December 31, 2017. See Note 12—Fair Value Measurement for further discussion.

The Company conducts its annual goodwill impairment tests in the fourth quarter of each year, and whenever impairment indicators arise, by examining relevant events and circumstances which could have a negative impact on its goodwill such as macroeconomic conditions, industry and market conditions, cost factors that have a negative effect on earnings and cash flows, overall financial performance, acquisitions and divestitures and other relevant entity-specific events. If a qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company is required to perform a quantitative impairment test for goodwill comparing the reporting unit's carrying value to its fair value. The Company's reporting units are based on its organizational and reporting structure. In determining fair values for the reporting units, the Company relies primarily on the income, market and cost approaches for valuation. In the income approach, the Company discounts predicted future cash flows using a weighted-

average cost of capital calculation based on publicly traded peer companies. In the market approach, valuation multiples are developed from both publicly traded peer companies as well as other company transactions. The cost approach considers replacement cost as the primary indicator of value.

If the fair value of a reporting unit is less than its carrying value, goodwill impairment is calculated by subtracting the fair value of the reporting unit from the carrying value. Application of the goodwill impairment test requires judgment, including the identification of reporting units, allocation of assets (including goodwill) and liabilities to reporting units and determining the fair value. The determination of reporting unit fair value relies upon certain estimates and assumptions that are complex and are affected by numerous factors, including the general economic environment and levels of exploration and production (“E&P”) activity of oil and gas companies, the Company’s financial performance and trends and the Company’s strategies and business plans, among others. Unanticipated changes, including immaterial revisions, to these assumptions, could result in a provision for impairment in a future period. Given the nature of these evaluations and their application to specific assets and time frames, it is not possible to reasonably quantify the impact of changes in these assumptions.

During the year ended December 31, 2018, the Company recorded \$12.7 million of goodwill impairment on the Oilfield Chemicals segment. The impairment was primarily the result of low profit margins. Additionally, during 2018, the Company recorded \$5.2 million of goodwill impairment on its Affirm subsidiary in the Wellsite Services segment as the estimated fair value was not adequate to fully cover its carrying value. As a result of the Company’s annual impairment test, no impairment loss was recognized during the year ended December 31, 2017. The Company determined that triggering events were present during 2016 resulting in a goodwill impairment assessment of \$138.5 million, primarily related to the Company’s Water Solutions segment. See Note 8—Goodwill and Other Intangible Assets and Note 12—Fair Value Measurement for further discussion.

Asset retirement obligations : The asset retirement obligation (“ARO”) liability reflects the present value of estimated costs of plugging, site reclamation and similar activities associated with the Company’s salt water disposal wells. The Company utilizes current retirement costs to estimate the expected cash outflows for retirement obligations. The Company also estimates the productive life of the disposal wells, a credit-adjusted risk-free discount rate and an inflation factor in order to determine the current present value of this obligation. The Company’s ARO liabilities are included in accrued expenses and other current liabilities and other long-term liabilities as of December 31, 2018 and 2017.

The change in asset retirement obligations is as follows:

	For the year ended December 31,	
	2018	2017
	(in thousands)	
Balance at beginning of year	\$ 1,846	\$ 1,668
Accretion expense, included in depreciation and amortization expense	183	178
Change in estimate	377	—
Divestitures	(508)	—
Balance at end of year	<u>\$ 1,898</u>	<u>\$ 1,846</u>

Self-insurance : The Company self-insures, through deductibles and retentions, up to certain levels for losses related to general liability, workers’ compensation and employer’s liability and vehicle liability. The Company’s exposure (i.e. the retention or deductible) per occurrence is \$1.0 million for general liability, \$1.0 million for workers’ compensation and employer’s liability and \$1.0 million for vehicle liability. We also have an excess loss policy over these coverages with a limit of \$100.0 million in the aggregate. Management regularly reviews its estimates of reported and unreported claims and provide for losses through reserves. Prior to June 1, 2016, the Company was self-insured for group medical claims subject to a deductible of \$0.3 million for large claims. As of June 1, 2016, the Company is fully-insured for group medical. In connection with the Rockwater Merger, the Company maintained a separate group medical program for certain employees where medical claims were subject to a deductible of \$0.3 million for large claims. During 2018, this was integrated into the Company’s existing plan.

Employee benefit plans : The Company sponsors a defined contribution 401(k) Profit Sharing Plan (the “401(k) Plan”) for the benefit of substantially all employees of the Company. The 401(k) Plan allows eligible employees to make tax-deferred contributions, not to exceed annual limits established by the Internal Revenue Service. The Company did not make any matching contributions for the year ended December 31, 2016. Effective July 1, 2017, the Company reinstated matching contributions of 100% of employee contributions, up to 4% of compensation with immediate vesting for existing employees. Starting July 1, 2017, the vesting schedule for new hires is 25% for the first year, 50% for the second year, 75% for the third year and 100% for the fourth year. The Company’s contributions to the 401(k) Plan were \$3.6 million and \$0.8 million for the years ended December 31, 2018 and 2017, respectively.

In connection with the Rockwater Merger, the Company temporarily maintained a separate 401(k) Plan for U.S. employees (the “Rockwater 401(k) Plan”) and a Registered Retirement Savings Plans for Canadian employees for specified eligible Rockwater employees. In June 2018, the temporary plan was combined into the Company’s current plan. The Company made employer contributions either at their discretion or as a matching percentage, as defined by the respective plan agreements. The Company made \$0.1 million in employer contributions to the Rockwater 401(k) Plan for the year ended December 31, 2017.

Revenue recognition : The Company adopted ASU 2014-09, *Revenue from Contracts with Customers*, for the year ended December 31, 2018, which constitutes a change in revenue recognition policy. See Note 4 for further detail on adopting this standard. The Company uses the five step process to recognize revenue which entails (i) identifying contracts with customers; (ii) identifying the performance obligations in each contract; (iii) determining the transaction price; (iv) allocating the transaction price to the performance obligations; and (v) recognizing revenue as we satisfy performance obligations. The Company only applies the five-step model to contracts when it is probable that the Company will collect the consideration it is entitled to in exchange for the goods or services transferred to the customer. Revenue from the Company’s Water Solutions and Wellsite Services segments is typically recognized over the course of time, whereas revenue from the Company’s Chemicals segment is typically recognized upon delivery. Revenue generated by each of the Company’s revenue streams are outlined as follows:

Water Solutions and Related Services —The Company provides water-related services to customers, including the sourcing and transfer of water, the containment of fluids, measuring and monitoring of water, the filtering and treatment of fluids, well testing and handling, transportation and recycling or disposal of fluids. Operating under Rockwater LLC, the Company also offers sand hauling and logistics services in the Rockies and Bakken regions as well as water transfer, containment and fluids hauling in Western Canada. Revenue from water solutions is primarily based on a per-barrel price or other throughput metrics as specified in the contract. The Company recognizes revenue from water solutions as services are performed.

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. Of the Company’s Water Solutions service lines, only sourcing and transfer of water are consistently provided as part of the same arrangement. In these instances, revenue for both sourcing and transfer are recognized concurrently when delivered.

Accommodations and Rentals —The Company provides workforce accommodations and surface rental equipment. Accommodation services include trailer housing and mobile home units for field personnel. Equipment rentals are related to the accommodations and include generators, sewer and water tanks and communication systems. Revenue from accommodations and equipment rental is typically recognized on a day-rate basis.

Wellsite Completion and Construction Services —The Company provides crane and logistics services, wellsite and pipeline construction and field services. Revenue for heavy-equipment rental is typically

recognized on a day-rate basis. Construction or field personnel revenue is based on hourly rates or on a per-job basis as services are performed.

Oilfield Chemical Product Sales— The Company develops, manufactures and markets a full suite of chemicals utilized in hydraulic fracturing, stimulation, cementing and well completions, including polymers that create viscosity, crosslinkers, friction reducers, surfactants, buffers, breakers and other chemical technologies, to leading pressure pumping service companies in the United States. The Company also provides production chemicals solutions, which are applied to underperforming wells in order to enhance well performance and reduce production costs through the use of production treating chemicals, corrosion and scale monitoring, chemical inventory management, well failure analysis and lab services.

Oilfield Chemicals products are generally sold under sales agreements based upon purchase orders or contracts with customers that do not include right of return provisions or other significant post-delivery obligations. The Company's products are produced in a standard manufacturing operation, even if produced to the customer's specifications. The prices of products are fixed and determinable and are established in price lists or customer purchase orders. The Company recognizes revenue from product sales when title passes to the customer, the customer assumes risks and rewards of ownership, collectability is reasonably assured and delivery occurs as directed by the customer.

Equity-based compensation : The Company accounts for equity-based awards by measuring the awards at the date of grant and recognizing the grant-date fair value as an expense using either straight-line or accelerated attribution, depending on the specific terms of the award agreements over the requisite service period, which is usually equivalent to the vesting period. The Company expenses awards with graded-vesting service conditions on a straight-line basis and accounts for forfeitures as they occur.

The Company had liability awards that were contingent upon meeting certain equity returns and a liquidation event. These awards were settled in cash during the year ended December 31, 2017. See Note 11—Equity-based Compensation for further discussion.

Foreign currency: The Company's functional currency is the U.S. dollar. As a result of the Rockwater Merger in 2017, the Company obtained a Canadian subsidiary that has designated the Canadian dollar as its functional currency. Assets and liabilities are translated at period-end exchange rates, while revenues and expenses are translated at average rates for the year. The Company follows a practice of settling its intercompany loans; accordingly, the related translation gains and losses are recognized within foreign currency gains (losses) on the accompanying consolidated statements of comprehensive income (loss). On the consolidated statements of operations, currency translation gains and losses are recorded on a net basis in other income and expense, net. During the years ended December 31, 2018 and 2017, the Company incurred a net foreign currency gain (loss) of \$(1.3) million and \$0.3 million, respectively. Translation adjustments for the asset and liability accounts are included as a separate component of accumulated other comprehensive income (loss) in shareholders' equity. During the years ended December 31, 2018 and 2017, the Company reported net foreign currency translation adjustments of \$(0.7) million and \$0.3 million, respectively.

Fair value measurements : The Company measures certain assets and liabilities pursuant to accounting guidance which establishes a three-tier fair value hierarchy and prioritizes the inputs used in measuring fair value. Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 inputs are quoted prices or other market data for similar assets and liabilities in active markets, or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the asset or liability. Level 3 inputs are unobservable inputs based upon its own judgment and assumptions used to measure assets and liabilities at fair value. See Note 12—Fair Value Measurement for further discussion.

Income taxes : Select Inc. is subject to U.S. federal, foreign and state income taxes as a corporation. SES Holdings and its subsidiaries, with the exception of certain corporate subsidiaries, are treated as flow-through entities for U.S. federal income tax purposes and as such, are generally not subject to U.S. federal income tax at the entity level. Rather, the tax liability with respect to their taxable income is passed through to their members or partners. Accordingly, prior to the reorganization in connection with the Select 144A Offering, the Predecessor only recorded a provision for Texas franchise

tax and U.S. federal and state provisions for certain corporate subsidiaries as the Predecessor's taxable income, or loss was includable in the income tax returns of the individual partners and members. However, for periods following the reorganization in connection with the Select 144A Offering, Select Inc. recognizes a tax liability on its allocable share of SES Holdings' taxable income. The state of Texas includes in its tax system a franchise tax applicable to the Company and an accrual for franchise taxes is included in the financial statements when appropriate.

The Company and its subsidiaries account for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled pursuant to the provisions of Accounting Standards Codification ("ASC") 740, Income Taxes. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in earnings in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts more likely than not to be realized.

The determination of the provision for income taxes requires significant judgment, use of estimates and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items and the probability of sustaining uncertain tax positions. The benefits of uncertain tax positions are recorded in the Company's financial statements only after determining a more likely than not probability that the uncertain tax positions will withstand challenge, if any, from taxing authorities. When facts and circumstances change, the Company reassesses these probabilities and records any changes through the provision for income taxes. The Company recognizes interest and penalties relating to uncertain tax provisions as a component of tax expense. The Company identified no material uncertain tax positions as of December 31, 2018, 2017 and 2016. See Note 14—Income Taxes for further discussion.

Emerging Growth Company status: Under the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), the Company was an "emerging growth company," or an "EGC," which allowed the Company to have an extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act. The Company took advantage of all of the reduced reporting requirements and exemptions, including the longer phase-in periods for the adoption of new or revised financial accounting standards under Section 107 of the JOBS Act until the Company was no longer an emerging growth company. The Company lost EGC status effective December 31, 2018 as a result of the aggregate market value of our voting and non-voting common stock held by non-affiliates exceeding \$700 million at June 30, 2018.

Recent accounting pronouncements : In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, which supersedes the revenue recognition requirements in Revenue Recognition (Topic 605), and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. In August 2015, the FASB deferred the effective date by one year to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. As the Company lost its EGC status as of December 31, 2018, the ASU became effective for the calendar year 2018 at December 31, 2018. The Company adopted ASU 2014-09 using the modified retrospective method. The adoption of the ASU and related ASUs 2016-08, 2016-10, 2016-12 and 2016-20, did not have a material impact on the Company's consolidated financial statements as (i) most customer agreements begin and end within the same period and (ii) the Company's previous revenue recognition methodologies are consistent with the new guidance.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which modifies the lease recognition requirements and requires entities to recognize the assets and liabilities arising from leases on the balance sheet and to disclose key qualitative and quantitative information about the entity's leasing arrangements. Based on the original guidance in ASU 2016-02, lessees and lessors would have been required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, including a number of optional practical expedients. In July 2018, the FASB issued ASU No. 2018-11, *Leases (ASC 842): Targeted Improvements*, which provides entities with an option to apply the guidance prospectively, instead of retrospectively, and allows for other classification provisions.

ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. As the Company lost its EGC status as of December 31, 2018, the ASU will become effective January 1, 2019. The Company will elect to recognize its lease assets and liabilities on a prospective basis, beginning on January 1, 2019, using the modified retrospective transition method. Additionally, the Company will (i) not set up right of use assets and lease liabilities for short-term leases, (ii) will elect to treat lease and non-lease components as a single lease component and (iii) will grandfather its current accounting for land easements that commenced before January 1, 2019, and (iv) used the package of practical expedients not to change prior lease classification, prior treatment of initial direct costs and prior determination of whether a contract constituted a lease. The Company expects the adoption of these ASUs to have a material increase to assets and liabilities on the consolidated balance sheets. Upon adoption, the Company expects the right-of-use assets and operating lease liabilities to range between \$100 million and \$120 million.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which is intended to simplify several aspects of the accounting for share-based payment award transactions. ASU 2016-09 was effective for annual reporting periods beginning after December 15, 2016, and interim periods within those annual periods. As a former EGC utilizing the extended transition period for new accounting pronouncements, this pronouncement was effective for annual reporting periods beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. As the Company lost its EGC status as of December 31, 2018, the ASU became effective for the calendar year 2018 at December 31, 2018. The areas for simplification in this update involve several aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, forfeiture estimates and classification on the statement of cash flows. The adoption of the ASU did not have a material impact on the Company's consolidated financial statements or related disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which amends U.S. GAAP by introducing a new impairment model for financial instruments that is based on expected credit losses rather than incurred credit losses. The new impairment model applies to most financial assets, including trade accounts receivable. The amendments are effective for interim and annual reporting periods beginning after December 15, 2019, although it may be adopted one year earlier, and requires a modified retrospective transition approach. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, which amends eight specific cash flow issues with the objective of reducing diversity in practice. ASU 2016-15 was effective for annual reporting periods beginning after December 15, 2017, and interim periods within those fiscal years. As a former EGC utilizing the extended transition period for new accounting pronouncements, this pronouncement is effective for calendar year 2018 at December 31, 2018. The amendments in this ASU should be applied using a retrospective approach. The adoption of the ASU did not impact the Company's consolidated statements of cash flows.

In January 2017, the FASB issued ASU 2017-01, *Clarifying the Definition of a Business*, with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This update was effective for fiscal years and interim periods within fiscal years beginning after December 15, 2017. As a former EGC utilizing the extended transition period for new accounting pronouncements the ASU became effective for calendar year 2018. The amendments in this ASU should be applied prospectively. The adoption of the ASU did not impact the Company's consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*. This pronouncement removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. This update is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2019. The amendments in this ASU should be applied prospectively. The Company early adopted ASU 2017-04 during the fourth quarter of 2018 to simplify the annual goodwill impairment

testing process. The Company calculated 2018 goodwill impairment based on a simplified model of the difference between the carrying value less fair value.

In May 2017, the FASB issued ASU 2017-09, *Scope of Modification Accounting*. This pronouncement provides guidance about which changes to the terms and conditions of a share-based payment award require an entity to apply modification accounting in ASC 718. The pronouncement should be applied prospectively to an award modified on or after the adoption date. The adoption of the ASU did not affect the Company's consolidated financial statements and related disclosures.

NOTE 3—ACQUISITIONS**Business combinations***Pro Well Acquisition*

On November 20, 2018 the Company acquired Pro Well Testing and Wireline, Inc. (“Pro Well”) for \$12.4 million, funded with cash on hand. This acquisition expands the Company’s flowback footprint into New Mexico and adds new strategic customers. The Pro Well Acquisition was accounted for as a business combination under the acquisition method of accounting. To determine the fair values of assets acquired and liabilities assumed, management made significant estimates, judgments and assumptions. These estimates, judgments and assumptions are subject to change upon final valuation and should be treated as preliminary values. Working capital estimates are based on provisional amounts. Management estimated that total consideration paid exceeded the fair value of the net assets acquired by \$1.0 million, with the excess recorded as goodwill. The goodwill recognized was attributable to expanding the Company’s flowback footprint into New Mexico and adding new strategic customers. The assets acquired and liabilities assumed and the results of operations of the acquired business are included in the Company’s Water Solutions segment. The goodwill acquired is deductible for tax purposes. The following table summarizes the consideration transferred and the estimated fair value of identified assets acquired and liabilities assumed at the date of acquisition:

<i>Preliminary purchase price allocation</i>	Amount
<i>Consideration transferred</i>	(in thousands)
Cash paid	\$ 12,446
Total consideration transferred	12,446
<i>Less: identifiable assets acquired and liabilities assumed</i>	
Working capital	1,876
Property and equipment	6,588
Customer relationship intangible assets	3,000
Total identifiable net assets acquired	11,464
<i>Goodwill</i>	982
Fair value allocated to net assets acquired	\$ 12,446

Rockwater Merger

On November 1, 2017, the Company completed the Rockwater Merger in which the Company combined with Rockwater. Total consideration was \$620.2 million based on the closing price of the Company’s shares of Class A Common Stock on November 1, 2017. Consideration transferred consisted of shares of Class A Common Stock, shares of Class A-2 Common Stock, shares of Class B Common Stock, and SES Holdings LLC Units. Consideration transferred also included the Company’s previously held interest in Rockwater, which was acquired as consideration in a sale of assets by Select’s predecessor to Rockwater’s predecessor in 2008 prior to the contribution of those assets to Rockwater and the related conversion of the ownership interests received by Select’s predecessor to ownership interests in Rockwater in 2011, and the fair value of Rockwater’s replaced share-based payments attributed to pre-acquisition service. In addition, the Company’s previously held interest in Rockwater was cancelled pursuant to the Merger Agreement. The previously held interest in Rockwater was previously included in other assets in the consolidated balance sheet. It was remeasured to a fair value of \$2.3 million, which resulted in a gain of \$1.2 million recognized in the fourth quarter of 2017 in other income in the consolidated statements of operations. For the years ended December 31, 2018 and 2017, the Company expensed \$6.3 million and \$8.9 million of transaction-related costs, respectively, which are included in selling, general and administrative expenses within the consolidated statements of operations.

The Rockwater Merger was accounted for as a business combination under the acquisition method of accounting. When determining the fair values of assets acquired and liabilities assumed, management made significant estimates, judgments and assumptions. The Company also engaged third-party valuation experts to assist in the purchase price allocation and the recorded valuation of property and equipment. Management estimated that total consideration paid exceeded the fair value of the net assets acquired and liabilities assumed by \$264.5 million, with the excess recorded as goodwill. The goodwill recognized was primarily attributable to synergies driven by expanding into new geographies,

[Table of Contents](#)

service offerings and customer relationships, strengthening existing service lines and geographies, acquiring an established, trained workforce and expected cost reductions. Goodwill of \$251.8 million and \$12.7 million was allocated to the Company's Water Solutions and Oilfield Chemicals segments, respectively. The acquired goodwill is not deductible for tax purposes.

The following table summarizes the consideration transferred and the estimated fair value of identified assets acquired and liabilities assumed at the date of acquisition:

Purchase price allocation	Amount
<i>Consideration transferred</i>	(in thousands)
Class A Common Stock (25,914,260 shares)	\$ 423,957
Class A-2 Common Stock (6,731,845 shares)	110,133
Class B Common Stock (4,356,477 shares) and SES Holdings common units issued (4,356,477 units)	71,272
Fair value of previously held interest in Rockwater	2,310
Fair value of Rockwater share-based awards attributed to pre-acquisition service	12,529
Total consideration transferred	620,201
<i>Less: identifiable assets acquired and liabilities assumed</i>	
Working capital ⁽¹⁾	141,720
Property and equipment ⁽²⁾	172,650
Intangible assets	
Customer relationships ⁽³⁾	89,661
Trademarks and patents	31,223
Non-compete agreements	3,811
Other long-term assets	88
Deferred tax liabilities	(408)
Long-term debt	(80,555)
Other long-term liabilities ⁽³⁾	(2,517)
Total identifiable net assets acquired	355,673
<i>Goodwill</i>	<i>264,528</i>
Fair value allocated to net assets acquired	\$ 620,201

- (1) During the year ended December 31, 2018, the Company obtained additional information related to working capital which led to a decrease of \$5.2 million and a corresponding increase in goodwill of \$5.2 million compared to the estimated fair values included in the 2017 Form 10-K.
- (2) During the year ended December 31, 2018, the Company obtained additional information related to property and equipment which led to a decrease of \$13.0 million and a corresponding increase in goodwill of \$13.0 million compared to the estimated fair values included in the 2017 Form 10-K.
- (3) During the year ended December 31, 2018, the Company obtained additional information related to customer relationships and other long-term liabilities which led to an increase of \$0.7 million and a decrease of \$0.1 million, respectively, and a corresponding decrease to goodwill of \$0.8 million compared to the estimated fair values included in the 2017 Form 10-K.

During the fourth quarter of 2018, the Company recorded a purchase price adjustment to decrease property plant and equipment and increase goodwill by \$16.0 million in connection with the material weakness discussed in Item 9A in this annual report on Form 10-K.

Resource Water Acquisition

On September 15, 2017, the Company completed its acquisition (the “Resource Water Acquisition”) of Resource Water Transfer Services, L.P. and certain other affiliated assets (collectively, “Resource Water”). Resource Water provides water transfer services to E&P operators in West Texas and East Texas. Resource Water’s assets include 24 miles of layflat hose as well as numerous pumps and ancillary equipment required to support water transfer operations. Resource Water has longstanding customer relationships across its operating regions which are viewed as strategic to the Company’s water solutions business. The acquired goodwill is deductible for tax purposes.

The total consideration for the Resource Water Acquisition was \$9.0 million, with \$6.6 million paid in cash and \$2.4 million paid in shares of Class A Common Stock valued at \$15.17 per share. The Company funded the cash portion of the consideration for the Resource Water Acquisition with \$6.6 million of cash on hand. The Resource Water Acquisition was accounted for as a business combination under the acquisition method of accounting. When determining the fair values of assets acquired and liabilities assumed, management made significant estimates, judgments and assumptions. Management estimated that total consideration paid exceeded the fair value of the net assets acquired by \$1.9 million, with the excess recorded as goodwill. The goodwill recognized was attributable to Resource Water’s assembled workforce as well as synergies related to the Company’s comprehensive water solutions strategy. The assets acquired and liabilities assumed and the results of operations of the acquired business are included in the Company’s Water Solutions segment. The following table summarizes the consideration transferred and the estimated fair value of identified assets acquired and liabilities assumed at the date of acquisition:

<i>Purchase price allocation</i>	Amount
<i>Consideration transferred</i>	(in thousands)
Cash paid	\$ 6,586
Class A Common Stock (156,909 shares)	2,380
Total consideration transferred	8,966
<i>Less: identifiable assets acquired and liabilities assumed</i>	
Working capital	1,189
Property and equipment	3,485
Customer relationship intangible assets	1,933
Other intangible assets	465
Total identifiable net assets acquired	7,072
Goodwill	1,894
Fair value allocated to net assets acquired	\$ 8,966

GRR Acquisition

On March 10, 2017, the Company completed its acquisition (the “GRR Acquisition”) of Gregory Rockhouse Ranch, Inc. and certain other affiliated entities and assets (collectively, the “GRR Entities”). The GRR Entities provide water and water-related services to E&P companies in the Permian Basin and own and have rights to a vast array of fresh, brackish and effluent water sources with access to significant volumes of water annually and water transport infrastructure, including over 1,000 miles of temporary and permanent pipeline infrastructure and related storage facilities and pumps, all located in the northern Delaware Basin portion of the Permian Basin.

The total consideration for the GRR Acquisition was \$59.6 million, with \$53.0 million paid in cash, \$1.1 million in assumed tax liabilities and \$5.5 million paid to the sellers in shares of Class A Common Stock valued at \$20.00 per share. The Company funded the cash portion of the consideration for the GRR Acquisition with \$19.0 million of cash on hand and \$34.0 million of borrowings under the Company’s Previous Credit Facility. For the year ended December 31, 2017, the Company expensed \$1.0 million of transaction-related costs, which are included in selling, general and administrative expenses within the consolidated statements of operations. The GRR Acquisition was accounted for as a business combination under the acquisition method of accounting. When determining the fair values of assets acquired and liabilities assumed, management made significant estimates, judgments and assumptions. Management estimated that consideration paid exceeded the fair value of the net assets acquired by \$12.0 million, with the excess recorded as goodwill. The goodwill recognized was primarily attributable to synergies related to the

[Table of Contents](#)

Company's comprehensive water solutions strategy that is expected to arise from the GRR Acquisition and was attributable to the Company's Water Solutions segment. The assets acquired and liabilities assumed and the results of operations of the acquired business are included in the Company's Water Solutions segment. The acquired goodwill is deductible for tax purposes. The following table summarizes the consideration transferred and the estimated fair value of identified assets acquired and liabilities assumed at the date of acquisition:

<i>Purchase price allocation</i>	Amount
(in thousands)	
<i>Consideration transferred</i>	
Cash paid	\$ 53,032
Class A Common Stock (274,998 shares)	5,500
Assumed liabilities	1,106
Total consideration transferred	59,638
<i>Less: identifiable assets acquired and liabilities assumed</i>	
Working capital	7,728
Property and equipment	13,225
Customer relationship intangible assets	21,484
Other intangible assets	5,152
Total identifiable net assets acquired	47,589
<i>Goodwill</i>	12,049
Fair value allocated to net assets acquired	<u>\$ 59,638</u>

The following unaudited consolidated pro forma information is presented as if the Rockwater Merger, the Resource Water Acquisition and the GRR Acquisition had occurred on January 1, 2016 and the Pro Well Acquisition had occurred on January 1, 2017:

	Pro Forma		
	Year ended December 31,		
	2018	2017	2016
	(unaudited)		
	(in thousands)		
Revenue	\$ 1,536,524	\$ 1,270,736	\$ 698,778
Net income (loss)	\$ 56,269	(13,079)	(372,397)
Less: net (income) loss attributable to noncontrolling interests ⁽¹⁾	(18,432)	5,299	152,930
Net income (loss) attributable to Select Energy Services, Inc. ⁽¹⁾	<u>\$ 37,837</u>	<u>\$ (7,780)</u>	<u>\$ (219,467)</u>

- (1) The allocation of net income (loss) attributable to noncontrolling interests and Select Inc. gives effect to the equity structure as of December 31, 2017 as though the Select 144A Offering, the IPO, the Rockwater Merger, the Resource Water Acquisition and the GRR Acquisition occurred as of January 1, 2016. However, the calculation of pro forma net income (loss) does not give effect to any other pro forma adjustments for the Select 144A Offering or the subsequent IPO.

The unaudited pro forma amounts above have been calculated after applying the Company's accounting policies and adjusting the Rockwater Merger, the Resource Water Acquisition and the GRR Acquisition results to reflect the increase to depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had been applied from January 1, 2016 and other related pro forma adjustments.

The pro forma amounts do not include any potential synergies, cost savings or other expected benefits of the Rockwater Merger, the Resource Water Acquisition or the GRR Acquisition, and are presented for illustrative purposes only and are not necessarily indicative of results that would have been achieved if the Rockwater Merger, the Resource Water Acquisition and the GRR Acquisition had occurred as of January 1, 2016 or of future operating performance.

NOTE 4—REVENUE

Effective for the year ended December 31, 2018, the Company adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the modified retrospective adoption method. There was no impact on the consolidated financial statements and no cumulative effect adjustment was recognized. Although most revenue recognition is governed by the new standard, the accommodations and rentals revenue continued to be guided by ASC 840 - *Leases*, discussed further below. The core principle of Topic 606 is that revenue is recognized when goods or services are transferred to customers in an amount that reflects consideration for which entitlement is expected in exchange for those goods or services.

ASU 2014-09 provides a five-step model for determining revenue recognition for arrangements that are within the scope of the standard: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that we will collect the consideration the Company are entitled to in exchange for the goods or services the Company transfers to the customer.

The Company elected practical expedients (i) not to assess whether immaterial promised goods or services are performance obligations, (ii) not to provide disclosures on remaining performance obligations for contracts that have an original expected duration of one year or less and (iii) to exclude transaction price taxes assessed by governmental authorities as revenue.

The following factors are applicable to all three of the Company's segments during the years ended December 31, 2018, 2017, and 2016:

- The vast majority of customer agreements are short-term, lasting less than one year.
- Contracts are seldom combined together as virtually all of our customer agreements constitute separate performance obligations. Each job is typically distinct, thereby not interdependent or interrelated with other customer agreements.
- Most contracts allow either party to terminate at any time without substantive penalties. If the customer terminates the contract, the Company is unconditionally entitled to the payments for the products delivered to date.
- Contract terminations before the end of the agreement are rare.
- Sales returns are rare and no sales return assets have been recognized on the balance sheet.
- There are no volume discounts.
- There are no service-type warranties.
- There is no long-term customer financing.

In the Water Solutions and Wellsite Services segments, performance obligations arise in connection with services provided to customers in accordance with contractual terms, in an amount the Company expects to collect. Services are generally sold based upon customer orders or contracts with customers that include fixed or determinable prices. Revenues are generated by services rendered and measured based on output generated, which is usually simultaneously received and consumed by customers at their jobsites. As a multi-jobsite organization, contract terms, including pricing for the Company's services, are negotiated on a jobsite level on a per-job basis. Most jobs completed in a short period of time, usually between one day and one month. Revenue is recognized as performance obligations are completed on a daily, hourly or per unit basis with unconditional rights to consideration for services rendered reflected as accounts receivable trade, net of allowance for doubtful accounts. In cases where a prepayment is received before the Company satisfies its performance obligations, a contract liability is recorded in accrued expenses and other current liabilities. Final billings generally occur once all of the proper approvals are obtained. No revenue is associated with mobilization or demobilization of personnel and equipment. Rather, mobilization and demobilization is factored into pricing for services. Billings and costs related to mobilization and demobilization is not material for customer

agreements that start in one period and end in another. As of December 31, 2018, the Company had no contracts in process lasting over a year.

In the Oilfield Chemicals segment, the typical performance obligation is to provide a specific quantity of chemicals to customers in accordance with the customer agreement in an amount the Company expects to collect. Products and services are generally sold based upon customer orders or contracts with customers that include fixed or determinable prices. Revenue is recognized as the customer takes title to chemical products in accordance with the agreement. Products may be provided to customers in packaging or delivered to the customers' containers through a hose. In some cases, the customer takes title to the chemicals upon consumption from storage containers on their property, where the chemicals are considered inventory until customer usage. In cases where the Company delivers products and recognizes revenue before collecting payment, the Company usually has an unconditional right to payment reflected in accounts receivable trade, net of allowance for doubtful accounts. Customer returns are rare and immaterial and there were no in-process customer agreements at December 31, 2018 lasting greater than one year.

The Company accounts for accommodations and rentals agreements as an operating lease. The Company recognizes revenue from renting equipment on a straight-line basis. Accommodations and rental contract periods are generally daily, weekly or monthly. The average lease term is less than one month and as of December 31, 2018, no rental agreements lasted more than a year.

NOTE 5—EXIT AND DISPOSAL ACTIVITIES

Due to a reduction in oil and gas industry activity that began in 2014, the Company decided during the year ended December 31, 2016 to close 15 facilities and consolidate operations for the purpose of improving operating efficiencies. In addition, the Company decided to consolidate or close additional facilities following consummation of the Rockwater Merger. With the subsequent rebound in the oil and gas industry, the Company expects to ramp up operations in some areas while continuing to evaluate consolidating operations in others. During the years ended December 31, 2018 and 2017, the Company recorded \$3.9 million and \$3.6 million, respectively, of charges related to exit and disposal activities. These costs are included in lease abandonment costs in the consolidated statements of operations. Additionally, during the year ended December 31, 2017, we reclassified \$0.2 million of deferred rent related to accrued lease obligations related to exited facilities. The Company had a remaining balance of \$18.8 million, inclusive of a short-term balance of \$2.1 million in accrued expenses and other current liabilities, as of December 31, 2018, related to accrued lease obligations and terminations at exited facilities within its Water Solutions segment. The Company will continue to make non-cancelable lease payments for related facilities through the year ended 2027. The Company's abandonment of these facilities is not a part of a formalized exit plan. The changes in the abandoned lease obligations for the years ended December 31, 2018 and 2017 are as follows:

	Balance as of December 31, 2017	Provision during the year ended December 31, 2018	Usage during the year ended December 31, 2018	Acquired abandoned lease obligations during the year ended December 31, 2018	Balance as of December 31, 2018
(in thousands)					
Lease obligations and terminations	\$ 21,350	\$ 3,925	\$ 7,795	\$ —	\$ 17,480
Reclassification of deferred rent	1,254				1,332
Total	\$ 22,604				\$ 18,812

	Balance as of December 31, 2016	Provision during the year ended December 31, 2017	Usage during the year ended December 31, 2017	Acquired abandoned lease obligations during the year ended December 31, 2017	Balance as of December 31, 2017
(in thousands)					
Lease obligations and terminations	\$ 18,000	\$ 3,572	\$ 2,761	\$ 2,539	\$ 21,350
Reclassification of deferred rent	1,069				1,254
Total	\$ 19,069				\$ 22,604

NOTE 6—INVENTORIES

Inventories, which are comprised of chemicals and materials available for resale and parts and consumables used in operations, are valued at the lower of cost and net realizable value, with cost determined under the weighted-average method. The significant components of inventory are as follows:

	As of December 31,	
	2018	2017
	(in thousands)	
Raw materials	\$ 15,219	\$ 11,462
Finished goods	28,540	29,674
Materials and supplies	1,233	3,462
	<u>\$ 44,992</u>	<u>\$ 44,598</u>

During the year ended December 31, 2018, the Company recorded charges to the reserve for excess and obsolete inventory for \$0.4 million, which were recognized within costs of revenue on the accompanying consolidated statements of operations. No charges were recorded during the year ended December 31, 2017. The reserve for excess and obsolete inventories is determined based on the Company's historical usage of inventory on hand, as well as future expectations, and the amount necessary to reduce the cost of the inventory to its estimated net realizable value.

NOTE 7—PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2018 and 2017:

	As of December 31,	
	2018	2017
	(in thousands)	
Land	\$ 17,799	\$ 15,286
Buildings and leasehold improvements	106,626	99,222
Vehicles and equipment	83,435	70,537
Vehicles and equipment - capital lease	1,833	2,810
Machinery and equipment	758,528	716,064
Machinery and equipment - capital lease	532	900
Computer equipment and software	15,775	12,822
Computer equipment and software - capital lease	356	—
Office furniture and equipment	4,612	4,320
Disposal wells	64,038	67,805
Other	497	497
Construction in progress	60,347	44,732
	<u>1,114,378</u>	<u>1,034,995</u>
Less accumulated depreciation	(611,530)	(560,886)
Total property and equipment, net	<u>\$ 502,848</u>	<u>\$ 474,109</u>

Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. During the year ended December 31, 2018, the Company reviewed certain fluid disposal machinery and equipment used in our fluid hauling and disposal services that are included in our Water Solutions segment. Due to the condition of the equipment, the Company determined that long-lived assets with a carrying value of \$2.3 million were no longer recoverable and were written down to their estimated fair value of zero. Additionally, the Company determined that \$4.4 million of Canadian fixed assets were impaired due to an expectation of a loss on asset disposals.

During the years ended December 31, 2018 and 2017, depreciation expense was \$120.4 million and \$92.6 million, respectively.

As a result of the Rockwater Merger, the Company acquired various capital leases for certain vehicles, machinery and equipment that expire at various dates during the next five years. Depreciation of assets held under capital leases for the years ended December 31, 2018 and 2017 was \$1.3 million and \$0.2 million, respectively, and is included in depreciation and amortization expense in the accompanying consolidated statements of operations.

NOTE 8—GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill is evaluated for impairment on at least an annual basis, or more frequently if indicators of impairment exist. The Company performed its annual goodwill impairment test in the fourth quarter of 2018. This resulted in \$12.7 million of goodwill impairment on our Oilfield Chemicals segment using income and market valuation techniques. This also resulted in \$5.2 million of goodwill impairment in connection with the Affirm subsidiary as the estimated fair value was not adequate to fully cover its carrying value using a cost valuation technique. The annual impairment tests are based on Level 3 inputs (see Note 12). The changes in the carrying amounts of goodwill by reportable segment for the years ended December 31, 2018 and 2017 are as follows:

	Water Solutions	Oilfield Chemicals	Wellsite Services	Total
	(in thousands)			
Balance as of December 31, 2016	\$ —	\$ —	\$ 12,242	\$ 12,242
Additions	245,542	15,637	—	261,179
Balance as of December 31, 2017	245,542	15,637	12,242	273,421
Additions	982	—	—	982
Impairment	—	(12,652)	(5,242)	(17,894)
Measurement period adjustments ⁽¹⁾	20,277	(2,985)	—	17,292
Balance as of December 31, 2018	\$ 266,801	\$ —	\$ 7,000	\$ 273,801

(1) See Note 3—Acquisitions for additional information.

The components of other intangible assets as of December 31, 2018 and 2017 are as follows:

	As of December 31, 2018			As of December 31, 2017		
	Gross Value	Accumulated Amortization	Net Value	Gross Value	Accumulated Amortization	Net Value
	(in thousands)			(in thousands)		
Definite-lived						
Customer relationships	\$ 171,245	\$ 66,402	\$ 104,843	\$ 169,250	\$ 57,836	\$ 111,414
Patents	10,110	1,417	8,693	10,109	414	9,695
Other	7,234	2,866	4,368	9,423	3,182	6,241
Total definite-lived	188,589	70,685	117,904	188,782	61,432	127,350
Indefinite-lived						
Water rights	7,031	—	7,031	5,281	—	5,281
Trademarks	23,442	—	23,442	23,435	—	23,435
Total indefinite-lived	30,473	—	30,473	28,716	—	28,716
Total other intangible assets	\$ 219,062	\$ 70,685	\$ 148,377	\$ 217,498	\$ 61,432	\$ 156,066

During the year ended December 31, 2018, the Company added \$3.0 million of customer relationships and \$1.8 million of water rights. During the year ended December 31, 2017, the Company added \$112.4 million in customer relationships, \$9.7 million of patents, \$5.9 million of other definite-lived intangibles assets, \$3.7 million of water rights and \$23.4 million of trademarks. The weighted average amortization period for customer relationships, patents and other definite-lived intangible assets as of December 31, 2018 was 11.7 years, 8.7 years and 2.3 years, respectively.

The indefinite lived water rights and trademarks are generally subject to renewal every five to ten years. Amortization expense of \$13.1 million, \$10.7 million and \$8.7 million was recorded for the years ended December 31,

2018, 2017 and 2016, respectively. Annual amortization of intangible assets for the next five years and beyond is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
	<u>(in thousands)</u>
2019	\$ 11,855
2020	11,561
2021	10,378
2022	10,163
2023	10,092
Thereafter	63,855

NOTE 9—DEBT

Credit facility and revolving line of credit

Our subsidiary, Select Energy Services, LLC’s (“Select LLC”) previous credit facility (the “Previous Credit Facility”), had a maturity date of February 28, 2020 and a revolving line of credit of \$100.0 million. On November 1, 2017, in connection with the closing of the Rockwater Merger (the “Closing”), SES Holdings entered into the Credit Agreement, the obligations of SES Holdings and Select LLC under the Previous Credit Facility were repaid in full and the Previous Credit Facility was terminated.

On November 1, 2017, in connection with the Closing, SES Holdings and Select LLC entered into a \$300.0 million senior secured revolving credit facility (the “Credit Agreement”), by and among SES Holdings, as parent, Select LLC, as Borrower and certain of SES Holdings’ subsidiaries, as guarantors, each of the lenders party thereto and Wells Fargo Bank, N.A., as administrative agent, issuing lender and swingline lender (the “Administrative Agent”). The Credit Agreement also has a sublimit of \$40.0 million for letters of credit and a sublimit of \$30.0 million for swingline loans. Subject to obtaining commitments from existing or new lenders, the Company has the option to increase the maximum amount under the Credit Agreement by \$150.0 million during the first three years following the closing. The maturity date of the Credit Agreement is the earlier of (a) November 1, 2022, and (b) the earlier termination in whole of the Commitments pursuant to Section 2.1(b) of Article VII of the Credit Agreement.

The Credit Agreement permits extensions of credit up to the lesser of \$300.0 million and a borrowing base that is determined by calculating the amount equal to the sum of (i) 85% of the Eligible Billed Receivables (as defined in the Credit Agreement), plus (ii) 75% of Eligible Unbilled Receivables (as defined in the Credit Agreement), provided that this amount will not equal more than 35% of the borrowing base, plus (iii) the lesser of (A) the product of 70% multiplied by the value of Eligible Inventory (as defined in the Credit Agreement) at such time and (B) the product of 85% multiplied by the Net Recovery Percentage (as defined in the Credit Agreement) identified in the most recent Acceptable Appraisal of Inventory (as defined in the Credit Agreement), multiplied by the value of Eligible Inventory at such time, provided that this amount will not equal more than 30% of the borrowing base, minus (iv) the aggregate amount of Reserves (as defined in the Credit Agreement), if any, established by the Administrative Agent from time to time, including, if any, the amount of the Dilution Reserve (as defined in the Credit Agreement). The borrowing base is calculated on a monthly basis pursuant to a borrowing base certificate delivered by Select LLC to the Administrative Agent.

Borrowings under the Credit Agreement bear interest, at Select LLC’s election, at either the (a) one-, two-, three- or six-month LIBOR (“Eurocurrency Rate”) or (b) the greatest of (i) the federal funds rate plus 0.5%, (ii) the one-month Eurocurrency Rate plus 1% and (iii) the Administrative Agent’s prime rate (the “Base Rate”), in each case plus an applicable margin. Interest is payable monthly in arrears. The applicable margin for Eurocurrency Rate loans ranges from 1.50% to 2.00% and the applicable margin for Base Rate loans ranges from 0.50% to 1.00%, in each case, depending on Select LLC’s average excess availability under the Credit Agreement. During the continuance of a bankruptcy event of default, automatically and during the continuance of any other default, upon the Administrative Agent’s or the required lenders’ election, all outstanding amounts under the Credit Agreement will bear interest at 2.00% plus the otherwise applicable interest rate.

[Table of Contents](#)

<u>Level</u>	<u>Average Excess Availability</u>	<u>Base Rate Margin</u>	<u>Eurocurrency Rate Margin</u>
I	< 33% of the commitments	1.00%	2.00%
II	< 66.67% of the commitments and \geq 33.33% of the commitments	0.75%	1.75%
III	\geq 66.67% of the commitments	0.50%	1.50%

<u>Level</u>	<u>Average Revolver Usage</u>	<u>Unused Line Fee Percentage</u>
I	\geq 50% of the commitments	0.250%
II	< 50% of the commitments	0.375%

The obligations under the Credit Agreement are guaranteed by SES Holdings and certain subsidiaries of SES Holdings and Select LLC and secured by a security interest in substantially all of the personal property assets of SES Holdings, Select LLC and their domestic subsidiaries.

The Credit Agreement contains certain customary representations and warranties, affirmative and negative covenants and events of default. If an event of default occurs and is continuing, the lenders may declare all amounts outstanding under the Credit Agreement to be immediately due and payable.

In addition, the Credit Agreement restricts SES Holdings' and Select LLC's ability to make distributions on, or redeem or repurchase, its equity interests, except for certain distributions, including distributions of cash so long as, both at the time of the distribution and after giving effect to the distribution, no default exists under the Credit Agreement and either (a) excess availability at all times during the preceding 30 consecutive days, on a pro forma basis and after giving effect to such distribution, is not less than the greater of (1) 25% of the lesser of (A) the maximum revolver amount and (B) the then-effective borrowing base and (2) \$37.5 million or (b) if SES Holdings' fixed charge coverage ratio is at least 1.0 to 1.0 on a pro forma basis, and excess availability at all times during the preceding 30 consecutive days, on a pro forma basis and after giving effect to such distribution, is not less than the greater of (1) 20% of the lesser of (A) the maximum revolver amount and (B) the then-effective borrowing base and (2) \$30.0 million. Additionally, the Credit Agreement generally permits Select LLC to make distributions to allow Select Inc. to make payments required under the existing Tax Receivable Agreements.

The Credit Agreement also requires SES Holdings to maintain a fixed charge coverage ratio of at least 1.0 to 1.0 at any time availability under the Credit Agreement is less than the greater of (i) 10% of the lesser of (A) the maximum revolver amount and (B) the then-effective borrowing base and (ii) \$15.0 million and continuing through and including the first day after such time that availability under the Credit Agreement has equaled or exceeded the greater of (i) 10% of the lesser of (A) the maximum revolver amount and (B) the then-effective borrowing base and (ii) \$15.0 million for 60 consecutive calendar days.

Certain lenders party to the Credit Agreement and their respective affiliates have from time to time performed, and may in the future perform, various financial advisory, commercial banking and investment banking services for the Company and its affiliates in the ordinary course of business for which they have received and would receive customary compensation. In addition, in the ordinary course of their various business activities, such parties and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investments and securities activities may involve the Company's securities and/or instruments. In addition, certain lenders party to the Previous Credit Facility are lenders under the Credit Agreement.

The Company had \$45.0 million and \$75.0 million outstanding under the Credit Agreement as of December 31, 2018 and 2017, respectively. The weighted average interest rate of outstanding borrowings under the Credit Agreement was 4.256% and 3.319% as of December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, the borrowing base under the Credit Agreement was \$270.5 million and \$261.1 million, respectively. The borrowing capacity under the Credit Agreement was reduced by outstanding letters of credit of \$20.8 million and \$19.8 million as of December 31, 2018 and 2017, respectively. The Company's letters of credit have a variable interest rate between

[Table of Contents](#)

1.50% and 2.00% based on the Company's average excess availability as outlined above. The unused portion of the available borrowings under the Credit Agreement was \$204.7 million at December 31, 2018.

Debt issuance costs are amortized to interest expense over the life of the debt to which they pertain. Total unamortized debt issuance costs as of December 31, 2018 and 2017 were \$2.6 million and \$3.3 million, respectively. As the debt issuance costs relate to a revolving line of credit, they are presented as a deferred charge within other assets on the consolidated balance sheet. In connection with the entry into the Credit Agreement in 2017, the Company incurred \$3.4 million of debt issuance costs during the year ended December 31, 2017. In connection with amending its Previous Credit Facility, the Company incurred \$4.5 million of debt issuance costs during the year ended December 31, 2016. The Company wrote off unamortized debt issuance cost related to its Previous Credit Facility of \$2.9 million in connection with entry into the Credit Agreement during the year ended December 31, 2017. Amortization expense related to debt issuance costs were \$0.7 million, \$4.0 million and \$3.4 million for the years ended December 31, 2018, 2017 and 2016, respectively.

The Company was in compliance with all debt covenants as of December 31, 2018.

NOTE 10—COMMITMENTS AND CONTINGENCIESOperating and capital leases

The Company is party to non-cancelable leases for operating locations, equipment and office space. The Company also has capital leases for trucks, trailers and equipment. Many lease agreements include extension options. Rent under the operating lease agreements is recognized ratably over the lease term. Total expenses incurred under these operating lease agreements for the years ended December 31, 2018, 2017 and 2016 was \$ 57.7 million, \$19.2 million and \$21.6 million, respectively. In January 2016 the Company bought out vehicle operating leases at a total purchase price of \$16.2 million.

The Company has the following operating and capital lease commitments under non-cancelable lease terms as of December 31, 2018:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>	<u>Capital Leases</u>	<u>Total</u>
	(in thousands)		
2019	\$ 33,377	\$ 1,079	\$ 34,456
2020	21,015	208	21,223
2021	16,123	82	16,205
2022	12,296	—	12,296
2023	9,643	—	9,643
Thereafter	40,991	—	40,991
Total minimum lease payments	<u>\$ 133,445</u>	<u>1,369</u>	<u>\$ 134,814</u>
Less: imputed interest of 5.9%		<u>(81)</u>	
Present value of net minimum capital lease payments		1,288	
Less: current portion of capital lease obligations		<u>(1,015)</u>	
Present value of long-term portion of capital lease obligations		<u>\$ 273</u>	

- (1) The Company's operating lease commitments under non-cancelable lease terms as of December 31, 2018 include \$37.9 million of lease payments related to facilities that are included within the accrual for exit and disposal activities. Refer to Note 5—Exit and Disposal Activities for further discussion.
- (2) This table excludes non-cancelable sublease income of \$1.4 million, \$0.9 million and \$0.1 million during the years ended 2019, 2020 and 2021, respectively.

Litigation

The Company is subject to a number of lawsuits and claims arising out of the normal conduct of its business. The ability to predict the ultimate outcome of such matters involves judgments, estimates and inherent uncertainties. Based on a consideration of all relevant facts and circumstances, including applicable insurance coverage, it is not expected that the ultimate outcome of any currently pending lawsuits or claims against the Company will have a material adverse effect on its consolidated financial position, results of operations or cash flows; however, there can be no assurance as to the ultimate outcome of these matters.

Certain subsidiaries acquired in the Rockwater Merger are under investigation by the U.S. Attorney's Office for the Middle District of Pennsylvania and the U.S. Environmental Protection Agency. It is alleged that certain employees at some of the facilities altered emissions controls systems on 4% of the vehicles in the fleet in violation of the Clean Air Act. The Company is cooperating with the relevant authorities to resolve the matter. At this time no administrative, civil or criminal charges have been brought against the Company and the Company cannot estimate the possible fines and penalties that may be levied against the Company.

Self-Insured Reserves

We are self-insured up to certain retention limits with respect to workers' compensation, general liability and vehicle liability matters. We maintain accruals for self-insurance retentions that we estimate using third-party data and claims history.

NOTE 11—EQUITY-BASED COMPENSATION

The SES Holdings 2011 Equity Incentive Plan, ("2011 Plan") was approved by the board of managers of SES Holdings in April 2011. In conjunction with the Select 144A Offering, the Company adopted the Select Energy Services, Inc. 2016 Equity Incentive Plan (as amended from time to time, the "2016 Plan") for employees, consultants and directors of the Company and its affiliates. Options that were outstanding under the 2011 Plan immediately prior to the Select 144A Offering were cancelled in exchange for new options granted under the 2016 Plan.

On July 18, 2017, the Select Inc. board of directors approved the First Amendment to the 2016 Plan (the "Equity Plan Amendment"), which clarifies the treatment of substitute awards under the 2016 Plan (including substitute awards that may be granted in connection with the Rockwater Merger) and allowed for the assumption by the Company of shares eligible under any pre-existing stockholder-approved plan of an entity acquired by the Company or its affiliate (including the Rockwater Energy Solutions Inc. Amended and Restated 2017 Long Term Incentive Plan (the "Rockwater Equity Plan")), in each case subject to the listing rules of the stock exchange on which Class A Common Stock is listed. The effectiveness of the Equity Plan Amendment was subject to approval by the Company's stockholders and the consummation of the transactions contemplated by the Merger Agreement for the Rockwater Merger. The Company's consenting stockholders, who hold a majority of the outstanding common stock of the Company, approved the Equity Plan Amendment on July 18, 2017. The Equity Plan Amendment became effective on November 1, 2017 upon the consummation of the Rockwater Merger.

The maximum number of shares initially reserved for issuance under the 2016 Plan was 5,400,400 shares of Class A Common Stock, subject to adjustment in the event of recapitalization or reorganization, or related to forfeitures or the expiration of awards. Stock options are granted with terms not to exceed ten years. After giving effect to the Equity Plan Amendment, the maximum number of shares of Class A Common Stock reserved for issuance under the 2016 Plan is equal to (i) 5,400,400 shares plus (ii) 1,011,087 shares that became available on account of the assumption of the Rockwater Equity Plan, subject to adjustment in the event of recapitalization or reorganization, or related to forfeitures or the expiration of awards. The maximum number of shares described in the preceding sentence does not include 2,879,112 shares of Class A Common Stock related to substitute awards granted under the 2016 Plan following the conversion of outstanding equity awards originally granted under the Rockwater Equity Plan in accordance with the Merger Agreement. Consequently, the maximum number of awards that can be granted under the 2016 Plan is 9,290,199 shares.

Stock option awards

Stock options were granted with an exercise price equal to or greater than the fair market value of a share of Class A Common Stock as of the date of grant. Prior to the IPO, the Company historically valued Class A Common Stock on a quarterly basis using a market approach that includes a comparison to publicly traded peer companies using earnings multiples based on their market values and a discount for lack of marketability. This fair value measurement relied on Level 3 inputs. The estimated fair value of its stock options is expensed over their vesting period, which is generally three years from the applicable date of grant. However, certain awards granted during the years ended December 31, 2017 and 2016 in exchange for cancelled awards were immediately vested and fully exercisable on the date of grant because they were either granted in exchange for the cancellation of outstanding options granted under the 2011 Plan or the Rockwater Equity Plan, as applicable, that were fully vested and exercisable prior to such cancellation.

The Company utilized the Monte Carlo simulation model to determine fair value of the options granted during 2018, which incorporates assumptions to value equity-based awards. The risk-free interest rate is based on the U.S. Treasury yield curve in effect for the expected term of the option at the time of grant. The expected life of the options was based on the vesting period and term of the options awarded, which is ten years.

The table below presents the assumptions used in determining the fair value of stock options granted during the years ended December 31, 2018 and 2017, respectively. The weighted-average grant date fair value of stock options granted was \$8.98 and \$7.85 for the years ended December 31, 2018 and 2017, respectively.

	For the year ended December 31,	
	2018	2017
Underlying equity	\$ 20.50	\$ 20.00
Strike price	\$ 20.50 - 30.75	\$ 20.00
Dividend yield (%)	0.0 %	0.0 %
Risk-free rate (%)	2.3 %	2.0 - 2.7 %
Volatility (%)	50.0 %	46.6 - 46.8 %
Expected term (years)	10.0	4.0 - 6.0

A summary of the Company's stock option activity and related information as of and for the year ended December 31, 2018 is as follows:

	For the year ended December 31, 2018				
	Stock Options	Weighted-average Grant Date Value	Weighted-average Exercise Price	Weighted-average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)^(a)
Beginning balance, outstanding	3,495,935	\$ 7.65	\$ 14.12	5.1	\$ 16,368
Granted	584,846	8.98	26.02		
Exercised	(79,333)	9.41	8.12		493
Forfeited	(95,380)	6.88	14.41		
Expired	(40,390)	1.67	17.32		
Ending balance, outstanding	3,865,678	\$ 7.95	\$ 16.00	4.9	\$ 19
Ending balance, exercisable	3,031,407	\$ 7.61	\$ 14.29	3.8	\$ 19
Non-vested at end of period	834,271	N/A	\$ 22.23		

^(a) Aggregate intrinsic value for stock options is based on the difference between the exercise price of the stock options and the quoted closing Class A Common Stock price of \$6.32 and \$18.24 as of December 31, 2018 and 2017, respectively.

The Company recognized \$5.2 million, \$1.9 million and \$0.3 million of compensation expense related to stock options during the years ended December 31, 2018, 2017 and 2016, respectively. As of December 31, 2018, there was \$4.7 million of unrecognized equity-based compensation expense related to non-vested stock options. This cost is expected to be recognized over a weighted-average period of 1.0 years.

Restricted Stock Awards and Restricted Stock Units

The value of the restricted stock awards and restricted stock units issued was established by the market price of the Class A Common Stock on the date of grant and is recorded as compensation expense ratably over the vesting term, which is generally one to three years from the applicable date of grant. The Company recognized compensation expense of \$4.3 million and \$0.5 million related to the restricted stock awards and restricted stock units for the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018, there was \$5.7 million of unrecognized compensation expense with a weighted-average remaining life of 1.7 years related to unvested restricted stock awards and restricted stock units. During 2018 and 2017, the Company paid \$0.9 million and \$0.3 million, respectively, to repurchase shares in connection with employee minimum tax withholding obligation on vested shares.

A summary of the Company's restricted stock awards activity and related information for the year ended December 31, 2018 is as follows:

	For the year ended December 31, 2018	
	Restricted Stock Awards	Weighted-average Grant Date Fair Value
Non-vested at December 31, 2017	299,801	\$ 16.36
Granted	438,182	19.52
Vested	(191,400)	16.36
Forfeited	(49,638)	17.62
Non-vested at December 31, 2018	496,945	\$ 19.02

A summary of the Company's restricted stock unit activity and related information for the year ended December 31, 2018 is as follows:

	For the year ended December 31, 2018	
	Restricted Stock Units	Weighted-average Grant Date Fair Value
Non-vested at December 31, 2017	30,360	\$ 19.88
Granted	—	—
Vested	(27,860)	19.96
Non-vested at December 31, 2018	2,500	\$ 19.00

Performance Share Units (PSUs)

During 2018, the Company approved grants of performance share units ("PSUs") that are subject to both performance-based and service-based vesting provisions. The number of shares of Class A Common Stock issued to a recipient upon vesting of the PSU will be calculated based on performance against certain metrics that relate to the Company's return on asset performance over the January 1, 2018 through December 31, 2020 performance period. The target number of shares of Class A Common Stock subject to each PSU is one; however, based on the achievement of performance criteria, the number of shares of Class A Common Stock that may be received in settlement of each PSU can range from zero to 1.75 times the target number. The PSUs become earned at the end of the performance period after the attainment of the performance level has been certified by the compensation committee, which will be no later than June 30, 2021, assuming the minimum performance metrics are achieved. The target PSUs that become earned PSUs during the performance period will be determined in accordance with the following table:

Return on Assets at Performance Period End Date	Percentage of Target PSUs Earned
Less than 9.6%	0%
9.6%	50%
12%	100%
14.4%	175%

The grant date fair value of PSUs issued during 2018 was \$5.9 million. Compensation expense related to the PSUs is determined by multiplying the number of shares of Class A Common Stock underlying such awards that, based on the Company's estimate, are probable to vest, by the measurement-date (i.e., the last day of each reporting period date) fair value and recognized using the accelerated attribution method. The Company recognized compensation expense of \$0.5 million related to the PSUs for the year ended December 31, 2018.

As of December 31, 2018, the fair value of outstanding PSUs issued was \$1.6 million. The unrecognized compensation cost related to our unvested PSUs is estimated to be \$1.1 million and is expected to be recognized over a weighted-average period of 2.0 years as of December 31, 2018.

The following table summarizes the information about the performance share units outstanding at December 31, 2018:

<u>Period Granted</u>	<u>Target Shares Outstanding at Beginning of Period</u>	<u>Target Shares Granted</u>	<u>Target Shares Vested</u>	<u>Target Shares Forfeited</u>	<u>Target Shares Outstanding at End of Period</u>
2018	—	280,021	—	(24,657)	255,364
Total	—	280,021	—	(24,657)	255,364

Stock-Settled Incentive Awards

Effective May 17, 2018, Company approved grants of stock-settled incentive awards to certain key employees under the 2016 Equity Incentive Plan that are subject to both market-based and service-based vesting provisions. These awards will vest after a two-year service period and, if earned, settled in shares of the Company stock. The ultimate amount earned is based on the achievement of the market metrics, which is based on the stock price of the Company at the vesting date, for which payout could range from 0% to 200%. Any award not earned on the vesting date is forfeited. The target amount that becomes earned during the performance period will be determined in accordance with the following table:

<u>Stock Price at Vesting Date ⁽¹⁾</u>	<u>Percentage of Target Amount Earned</u>
Less than \$20.00	0%
At least \$20.00, but less than \$25.00	100%
\$25.00 or greater	200%

- (1) The stock price at vesting date equals the greater of (i) the fair market value of a share of the Company's stock on the vesting date, or (ii) the volume weighted average closing price of a share of the Company's stock, as reported on the NYSE, for the 30 trading days preceding the vesting date.

The target amount of stock-settled incentive awards granted was \$3.9 million. However, the ultimate settlement of the awards will be in shares of the Company's stock with fair market value equal to the earned amount, which could range from 0% to 200% of the target amount depending on the stock price at vesting date.

Compensation expense associated with the stock-settled incentive awards is recognized ratably over the corresponding requisite service period. The fair value of the stock-settled incentive awards was determined using a Monte Carlo option pricing model, similar to the Black-Scholes-Merton model, and adjusted for the specific characteristics of the awards. The key assumptions in the model included price, the expected volatility of our stock, risk-free interest rate based on U.S. Treasury yield curve, cross-correlations between us and our self-determined peer companies' asset, equity and debt-to-equity volatility.

During the year ended December 31, 2018, the Company recognized stock compensation expense of \$0.4 million related to the stock-settled incentive awards. The unrecognized compensation cost related to our unvested stock-

[Table of Contents](#)

settled incentive awards is estimated to be \$0.8 million and is expected to be recognized over approximately 17 months as of December 31, 2018.

The following table summarizes the information about the stock-settled incentive awards outstanding at December 31, 2018:

	<u>Value at Target</u>	<u>Award Value Being Recognized</u>
Non-vested at December 31, 2017	\$ —	\$ —
Granted during 2018	3,871	1,479
Forfeited during 2018	(724)	(277)
Non-vested at December 31, 2018	<u>\$ 3,147</u>	<u>\$ 1,202</u>

Employee Stock Purchase Plan (ESPP)

We have an Employee Stock Purchase Plan (“ESPP”) under which employees that have been continuously employed for at least one year may purchase shares of our common stock at a discount. The plan provides for four offering periods for purchases: December 1 through February 28, March 1 through May 31, June 1 through August 31 and September 1 through November 30. At the end of each offering period, enrolled employees purchase shares of our common stock at a price equal to 95% of the market value of the stock on the last day of such offering period. The purchases are made at the end of an offering period with funds accumulated through payroll deductions over the course of the offering period. Subject to limitations set forth in the plan and under IRS regulations, eligible employees may elect to contribute a maximum of \$15,000 to the plan in a single calendar year. The plan is deemed to be noncompensatory.

The following table summarizes ESPP activity (in thousands, except shares):

	<u>For the year ended December 31, 2018</u>
Cash received for shares issued	\$ 117
Shares issued	9,793

Phantom unit awards

The Company’s phantom unit awards were cash-settled awards that were contingent upon meeting certain equity returns and a liquidation event. The settlement amount was based on the fair market value of a share of the Company’s Class A common stock on the date of completion of the IPO, which constituted a liquidation event with respect to such phantom unit awards. As a result of the cash-settlement feature of these awards, the Company considered these awards to be liability awards, which were measured at fair value at each reporting date and the pro rata vested portion of the award was recognized as a liability to the extent that the performance condition was deemed probable. On May 5, 2017, the Company settled its outstanding phantom unit awards for an aggregate amount equal to \$7.8 million as a result of the completion of its IPO, which constituted a liquidity event with respect to such phantom unit awards. Based on the fair market value of a share of the Company’s Class A common stock on the date of the IPO of \$14.00, the cash payment with respect to each phantom unit was approximately \$5.53, before employer taxes. The Company recognized compensation expense of \$7.8 million for the year ended 2017 related to the settlement of its phantom unit awards. No compensation expense was recognized in 2016 due to the non-occurrence of the performance condition, which was not considered probable.

Share-repurchases

During 2018, the Company repurchased 1,703,651 shares in the open market and repurchased 62,777 shares in connection with employee minimum tax withholding requirements for units vested under the 2016 Plan. All repurchased shares were retired. This was accounted for as a decrease to paid in-capital of \$17.1 million and a decrease to Class A common stock of approximately \$18,000.

NOTE 12—FAIR VALUE MEASUREMENT

The Company utilizes fair value measurements to measure assets and liabilities in a business combination or assess impairment of property and equipment, intangible assets and goodwill. Fair value is defined as the amount at which an asset (or liability) could be bought (or incurred) or sold (or settled) in an orderly transaction between market participants at the measurement date. Further, ASC 820, Fair Value Measurements, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and includes certain disclosure requirements. Fair value estimates are based on either (i) actual market data or (ii) assumptions that other market participants would use in pricing an asset or liability, including estimates of risk.

ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy categorizes assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. The three levels are defined as follows:

Level 1—Unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2—Quoted prices for similar assets or liabilities in non-active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3—Inputs that are unobservable and significant to the fair value measurement (including the Company's own assumptions in determining fair value).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. There were no transfers into, or out of, the three levels of the fair value hierarchy for the years ended December 31, 2018, 2017 and 2016.

Assets and liabilities measured at fair value on a recurring basis

The Company estimated the fair value of derivative instruments using the market approach via a model that uses inputs that are observable in the market or can be derived from, or corroborated by, observable data.

Assets and liabilities measured at fair value on a non-recurring basis

Nonfinancial assets and liabilities measured at fair value on a non-recurring basis include certain nonfinancial assets and liabilities as may be acquired in a business combination and measurements of goodwill and intangible impairment. As there is no corroborating market activity to support the assumptions used, the Company has designated these measurements as Level 3.

Long-lived assets, such as property and equipment and finite-lived intangible assets, are evaluated for impairment whenever events or changes in circumstances indicate that its carrying value may not be recoverable. The development of future cash flows and the estimate of fair value represent the Company's best estimates based on industry trends and reference to market transactions and are subject to variability.

The Company's estimates of fair value have been determined at discrete points in time based on relevant information. These estimates involve uncertainty and cannot be determined with precision. There were no significant changes in valuation techniques or related inputs for the years ended December 31, 2018, 2017 and 2016.

[Table of Contents](#)

The following table presents information about the Company's assets measured at fair value on a non-recurring basis for the years ended December 31, 2018, 2017 and 2016.

	Fair Value Measurements Using			Carrying Value ⁽¹⁾	Impairment
	Level 1	Level 2	Level 3		
(in thousands)					
<i>Year Ended December 31, 2018</i>					
Goodwill	\$ —	\$ —	\$ 7,000	\$ 24,894	\$ 17,894
Cost-Method Investment	—	—	500	2,500	2,000
Fixed Assets	—	—	10,262	16,919	6,657
<i>Year Ended December 31, 2017</i>					
	\$ —	\$ —	\$ —	\$ —	\$ —
<i>Year Ended December 31, 2016</i>					
Goodwill	\$ —	\$ —	\$ —	\$ 138,529	\$ 138,529
Intangible Assets	—	—	—	137	137
Fixed Assets	—	—	23,188	83,214	60,026

(1) Amount represents carrying value at the date of assessment.

Other fair value considerations

The carrying values of the Company's current financial instruments, which include cash and cash equivalents, accounts receivable trade and accounts payable, approximate their fair value at December 31, 2018 and 2017 due to the short-term maturity of these instruments. The carrying value of debt as of December 31, 2018 and 2017 approximates fair value due to variable market rates of interest. The fair value of debt at December 31, 2018 and 2017, which is a Level 3 measurement, is estimated based on the Company's incremental borrowing rates for similar types of borrowing arrangements when quoted market prices are not available. The estimated fair values of the Company's financial instruments are not necessarily indicative of the amounts that would be realized in a current market exchange. The consideration transferred and the purchase price allocation of identified assets acquired and liabilities assumed related to the Pro Well Acquisition, Rockwater Merger, Resource Water Acquisition and GRR Acquisition were based on the Company's estimate of fair value utilizing Level 3 inputs at the date of acquisition. Refer to Note 3 – Acquisitions for further discussion.

NOTE 13—RELATED PARTY TRANSACTIONS

The Company considers its related parties to be those stockholders who are beneficial owners of more than 5.0% of its common stock, executive officers, members of its board of directors or immediate family members of any of the foregoing persons and an unconsolidated joint venture. The Company has entered into a significant number of transactions with related parties. In accordance with the Company's related persons transactions policy, the Company's board of directors regularly reviews these transactions; however, the Company's results of operations may have been different if these transactions were conducted with non-related parties.

During the year ended December 31, 2018, sales to related parties were \$8.3 million and purchases from related party vendors were \$16.7 million. These purchases consisted of \$4.7 million relating to purchases of property and equipment, \$0.3 million relating to inventory and consumables, \$10.3 million relating to the rental of certain equipment or other services used in operations and \$1.4 million relating to management, consulting and other services.

During the year ended December 31, 2017, sales to related parties were \$9.0 million and purchases from related party vendors were \$10.4 million. These purchases consisted of \$3.8 million relating to purchases of property and equipment, \$0.3 million relating to inventory and consumables, \$2.7 million relating to the rental of certain equipment or other services used in operations and \$3.6 million relating to management, consulting and other services.

During the year ended December 31, 2016, sales to related parties were \$1.2 million and purchases from related party vendors were \$4.3 million. These purchases consisted of \$1.0 million relating to purchases of property and equipment, \$0.2 million relating to inventory and consumables, \$1.1 million relating to the rental of certain equipment or other services used in operations and \$2.0 million relating to management, consulting and other services.

Tax Receivable Agreements

In connection with the Select 144A Offering, the Company entered into the Tax Receivable Agreements with the TRA Holders.

The first of the Tax Receivable Agreements, which the Company entered into with Legacy Owner Holdco and Crestview Partners II GP, L.P. ("Crestview GP"), generally provides for the payment by the Company to such TRA Holders of 85% of the net cash savings, if any, in U.S. federal, state and local income and franchise tax that the Company actually realizes (computed using simplifying assumptions to address the impact of state and local taxes) or is deemed to realize in certain circumstances in periods after the Select 144A Offering as a result of, as applicable to each such TRA Holder, (i) certain increases in tax basis that occur as a result of the Company's acquisition (or deemed acquisition for U.S. federal income tax purposes) of all or a portion of such TRA Holder's SES Holdings LLC Units in connection with the Select 144A Offering or pursuant to the exercise of the Exchange Right or the Company's Call Right and (ii) imputed interest deemed to be paid by the Company as a result of, and additional tax basis arising from, any payments the Company makes under such Tax Receivable Agreement.

The second of the Tax Receivable Agreements, which the Company entered into with an affiliate of the Contributing Legacy Owners and Crestview GP, generally provides for the payment by the Company to such TRA Holders of 85% of the net cash savings, if any, in U.S. federal, state and local income and franchise tax that the Company actually realizes (computed using simplifying assumptions to address the impact of state and local taxes) or is deemed to realize in certain circumstances in periods after the Select 144A Offering as a result of, as applicable to each such TRA Holder, (i) any net operating losses available to the Company as a result of certain reorganization transactions entered into in connection with the Select 144A Offering and (ii) imputed interest deemed to be paid by the Company as a result of any payments the Company makes under such Tax Receivable Agreement.

On July 18, 2017, the Company's board of directors approved amendments to each of the Tax Receivable Agreements revising the definition of a "change of control" for purposes of the Tax Receivable Agreements and acknowledging that the Rockwater Merger would not result in such a change of control.

See Note 14—Income Taxes for further discussion of amounts recorded in connection with the Select 144A Offering.

NOTE 14—INCOME TAXES

Select Inc. is subject to U.S. federal and state income taxes as a corporation. SES Holdings and its subsidiaries, with the exception of certain corporate subsidiaries, are treated as flow-through entities for U.S. federal income tax purposes and as such, are generally not subject to U.S. federal income tax at the entity level. Rather, the tax liability with respect to their taxable income is passed through to their members or partners. Accordingly, prior to the reorganization in connection with the Select 144A Offering, the Predecessor only recorded a provision for Texas franchise tax and U.S. federal and state provisions for certain corporate subsidiaries as the Predecessor's taxable income or loss was includable in the income tax returns of the individual partners and members. However, for periods following the reorganization in connection with the Select 144A Offering, Select Inc. recognizes a tax liability on its allocable share of SES Holdings' taxable income.

The Company's effective tax rates for the years ended December 31, 2018, 2017 and 2016 were 3.0%, 2.4% and 0.2% respectively. The effective tax rates for the years ended December 31, 2018 and 2017 differ from the statutory rate of 21% and 35%, respectively, due to net income allocated to noncontrolling interests, state income taxes and valuation allowances.

The Company recorded income tax expense (benefit) of \$1.7 million, \$(0.9) million and \$(0.5) million for the years ended December 31, 2018, 2017 and 2016, respectively.

The components of the federal and state income tax expense (benefit) are summarized as follows:

	For the year ended December 31,		
	2018	2017	2016
	(in thousands)		
Current tax (benefit) expense			
Federal income tax	\$ 1,073	\$ (338)	\$ —
State and local income tax	1,077	(77)	275
Foreign income tax	—	—	—
Total current (benefit) expense	<u>2,150</u>	<u>(415)</u>	<u>275</u>
Deferred tax (benefit) expense			
Federal income tax	(20)	(422)	(841)
State and local income tax	(426)	(14)	42
Foreign income tax	—	—	—
Total deferred benefit	<u>(446)</u>	<u>(436)</u>	<u>(799)</u>
Total income tax (benefit) provision	<u>\$ 1,704</u>	<u>\$ (851)</u>	<u>\$ (524)</u>
Tax (benefit) expense attributable to controlling interests	\$ 1,425	\$ (405)	\$ (179)
Tax benefit attributable to noncontrolling interests	279	(446)	(345)
Total income tax (benefit) provision	<u>\$ 1,704</u>	<u>\$ (851)</u>	<u>\$ (524)</u>

[Table of Contents](#)

A reconciliation of the Company's provision for income taxes as reported and the amount computed by multiplying income before taxes, less noncontrolling interest, by the U.S. federal statutory rate of 21% for 2018 and 35% for 2017:

	For the year ended December 31,		
	2018	2017	2016
	(in thousands)		
Provision calculated at federal statutory income tax rate:			
Income (loss) before taxes	\$ 56,003	\$ (35,978)	\$ (314,472)
Statutory rate	21 %	35 %	35 %
Income tax expense (benefit) computed at statutory rate	11,761	(12,592)	(110,065)
Less: noncontrolling interests	(3,735)	6,409	109,230
Income tax expense (benefit) attributable to controlling interests	8,026	(6,183)	(835)
State and local income taxes, net of federal benefit	515	(91)	317
Change in enacted tax rate	—	39,166	—
Other	580	—	—
Change in valuation allowance	(7,696)	(33,297)	339
Income tax expense (benefit) attributable to controlling interests	1,425	(405)	(179)
Income tax expense (benefit) attributable to noncontrolling interests	279	(446)	(345)
Total income tax expense (benefit)	<u>\$ 1,704</u>	<u>\$ (851)</u>	<u>\$ (524)</u>

Deferred taxes result from the temporary differences between financial reporting carrying amounts and the tax basis of existing assets and liabilities. As of December 31, 2018, 2017 and 2016, the Company had net deferred tax liabilities of \$0.1 million, \$0.6 million and \$0.6 million, respectively, which are recorded in other long-term liabilities on the consolidated balance sheets. The principal components of the deferred tax assets (liabilities) are summarized as follows:

	For the year ended	
	December 31,	
	2018	2017
	(in thousands)	
Deferred tax assets		
Outside basis difference in SES Holdings	\$ 38,739	\$ 37,931
Net operating losses	45,927	35,243
Credits and other carryforwards	1,679	863
Property and equipment	150	—
Intangible assets	1,284	1,218
Stock compensation	—	2,557
Other	468	1,340
Total deferred tax assets before valuation allowance	88,247	79,152
Valuation allowance	(88,247)	(75,886)
Total deferred tax assets	<u>—</u>	<u>3,266</u>
Deferred tax liabilities		
Property and equipment	—	3,286
Other	123	549
Total deferred tax liabilities	123	3,835
Net deferred tax liabilities	<u>\$ (123)</u>	<u>\$ (569)</u>

For the year ended December 31, 2018, the Company recorded an increase in valuation allowance of \$12.4 million against certain deferred tax assets.

The Company has assessed the future potential to realize these deferred tax assets and has concluded it is more likely than not that these deferred tax assets will not be realized based on current economic conditions and expectations of the future. As a result, the Company has not recorded a liability for the effect of any associated Tax Receivable

Agreement liabilities as the liability is based on the actual cash tax savings, which are not considered probable as of December 31, 2018. See Note 13—Related Party Transactions for further discussion of the Tax Receivable Agreements.

The U.S. federal income tax legislation enacted in Public Law No. 115-97, commonly referred to as the Tax Cuts and Jobs Act, reduced the corporate income tax rate effective January 1, 2018 from 35% to 21%. As of December 31, 2018, the Company has completed our accounting for the tax effects of the Tax Cuts and Jobs Act (TCJA). During the year ended December 31, 2017, the Company recognized the reasonably estimated (i) effects on our existing deferred tax balances and (ii) one-time transition tax. During the year ended December 31, 2018, the Company finalized the accounting for of the Tax Act. The Company incurred \$0.6 million in incremental income tax expense from transitioning to the TCJA.

As of December 31, 2018, the Company and certain corporate subsidiaries of SES Holdings had approximately \$172.5 million of U.S. federal net operating loss carryforwards (“NOLs”), which will begin to expire in 2031, approximately \$84.5 million of state NOLs which will begin to expire in 2023, and approximately \$18.0 million of foreign NOLs, which will begin to expire in 2037.

Accounting for uncertainty in income taxes prescribes a recognition threshold and measurement methodology for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. As of December 31, 2018 and 2017 there was no material liability or expense for the periods then ended recorded for payments of interest and penalties associated with uncertain tax positions or material unrecognized tax positions and the Company’s unrecognized tax benefits were not material.

Separate federal and state income tax returns are filed for Select Inc., SES Holdings and certain consolidated affiliates. The tax years 2014 through 2017 remain open to examination by the major taxing jurisdictions to which the Company is subject to income tax. Select Inc. and SES Holdings are not currently under any income tax examinations.

NOTE 15—NONCONTROLLING INTERESTS

The Company’s noncontrolling interests fall into two categories as follows:

- Noncontrolling interests attributable to joint ventures formed for water-related services.
- Noncontrolling interests attributable to holders of Class B shares.

	As of December 31,	
	2018	2017
	(in thousands)	
Noncontrolling interests attributable to joint ventures formed for water-related services	\$ 3,273	\$ 5,722
Noncontrolling interests attributable to holders of Class B shares	274,566	401,000
Total noncontrolling interests	\$ 277,839	\$ 406,722

For all periods presented, there were no changes to Select’s ownership interest in joint ventures formed for water-related services. However, during the years ended December 31, 2018, 2017 and 2016, there were changes in Select’s ownership interest in SES Holdings LLC. The effects of the changes in Select’s ownership interest in SES Holdings LLC is as follows:

	For the year ended December 31,		
	2018	2017	2016
	(in thousands)		
Net income (loss) attributable to Select Energy Services, Inc.	\$ 36,512	\$ (16,816)	\$ (307,524)
Transfers (to) from noncontrolling interests:			
Decrease in additional paid-in capital as a result of the contribution of proceeds from the IPO to SES Holdings, LLC in exchange for common units	—	(41,135)	—
Decrease in additional paid-in capital as a result of the contribution of proceeds from the Select 144A Offering to SES Holdings, LLC in exchange for common units	—	—	(218,712)
Increase in contributed capital due to purchase of noncontrolling interest	—	—	707
Decrease in additional paid-in capital as a result of the contribution of net assets acquired to SES Holdings, LLC in exchange for common units	—	(4,879)	—
Decrease in additional paid-in capital as a result of the contribution of net assets from the Rockwater Merger to SES Holdings, LLC in exchange for common units	—	(170,276)	—
Increase in additional paid-in capital as a result of stock option exercises	374	—	—
Increase in additional paid-in capital as a result of restricted stock issuance, net of forfeitures	1,942	—	—
Increase in additional paid-in capital as a result of issuance of common stock due to vesting of restricted stock units	104	—	—
(Decrease) increase in additional paid-in capital as a result of the repurchase of SES Holdings LLC Units	(576)	113	—
Increase in additional paid-in capital as a result of exchanges of SES Holdings LLC Units (an equivalent number of shares of Class B common stock) for shares of Class A common stock	146,865	—	—
Increase in additional paid-in capital as a result of the Employee Stock Purchase Plan shares issued	15	—	—
Change to equity from net income (loss) attributable to Select Energy Services, Inc. and transfers from noncontrolling interests	\$ 185,236	\$ (232,993)	\$ (525,529)

NOTE 16—EARNINGS (LOSS) PER SHARE

Earnings per share are based on the amount of income allocated to the shareholders and the weighted-average number of shares outstanding during the period for each class of common stock. Outstanding options to purchase 2,706,159 shares are not included in the calculation of diluted weighted-average shares outstanding for the year ended December 31, 2018 as the effect is antidilutive. All options representing the rights to purchase shares during 2017 were not included in the diluted loss per share calculation, because the assumed exercise of such options would have been antidilutive.

The following tables present the Company’s calculation of basic and diluted earnings per share for the years ended December 31, 2018, 2017 and 2016 (dollars in thousands, except share and per share amounts):

	For the year ended December 31, 2018			
	Select Energy Services, Inc.	Class A	Class A-2	Class B
Numerator:				
Net income	\$ 54,299			
Net income attributable to noncontrolling interests	(17,787)			
Net income attributable to Select Energy Services, Inc. — basic	36,512	\$ 35,720	\$ 792	\$ —
Add: Reallocation of net income attributable to noncontrolling interests for the dilutive effect of restricted stock	13	13	—	—
Add: Reallocation of net income attributable to noncontrolling interests for the dilutive effect of stock options	30	30	—	—
Add: Reallocation of net income attributable to noncontrolling interests for the dilutive effect of ESPP	—	—	—	—
Net income (loss) attributable to Select Energy Services, Inc. — diluted	\$ 36,555	\$ 35,763	\$ 792	\$ —
Denominator:				
Weighted-average shares of common stock outstanding — basic		72,403,318	1,604,575	31,986,438
Dilutive effect of restricted stock		71,718	—	—
Dilutive effect of stock options		166,999	—	—
Dilutive effect of ESPP		112	—	—
Weighted-average shares of common stock outstanding — diluted		72,642,147	1,604,575	31,986,438
Earnings per share:				
Basic		\$ 0.49	\$ 0.49	\$ —
Diluted		\$ 0.49	\$ 0.49	\$ —

	For the year ended December 31, 2017				
	Select Energy Services, Inc.	Class A	Class A-1	Class A-2	Class B
Numerator:					
Net loss	\$ (35,127)				
Net loss attributable to noncontrolling interests	18,311				
Net loss attributable to Select Energy Services, Inc. — basic	(16,816)	\$ (12,560)	\$ (3,691)	\$ (565)	\$ —
Net loss attributable to Select Energy Services, Inc. — diluted	\$ (16,816)	\$ (12,560)	\$ (3,691)	\$ (565)	\$ —
Denominator:					
Weighted-average shares of common stock outstanding — basic		24,612,853	7,233,973	1,106,605	38,768,156
Dilutive effect of restricted stock		—	—	—	—
Dilutive effect of stock options		—	—	—	—
Dilutive effect of ESPP		—	—	—	—
Weighted-average shares of common stock outstanding — diluted		24,612,853	7,233,973	1,106,605	38,768,156
Loss per share:					
Basic		\$ (0.51)	\$ (0.51)	\$ (0.51)	\$ —
Diluted		\$ (0.51)	\$ (0.51)	\$ (0.51)	\$ —

	For the year ended December 31, 2016				
	Select Energy Services, Inc.	Class A	Class A-1	Class A-2	Class B
Numerator:					
Net loss	\$ (313,948)				
Net loss attributable to Predecessor	306,481				
Net loss attributable to noncontrolling interests	6,424				
Net loss attributable to Select Energy Services, Inc. — basic	(1,043)	\$ (199)	\$ (844)	\$ —	\$ —
Net loss attributable to Select Energy Services, Inc. — diluted	\$ (1,043)	\$ (199)	\$ (844)	\$ —	\$ —
Denominator:					
Weighted-average shares of common stock outstanding — basic		3,802,972	16,100,000	—	38,462,541
Dilutive effect of restricted stock		—	—	—	—
Dilutive effect of stock options		—	—	—	—
Dilutive effect of ESPP		—	—	—	—
Weighted-average shares of common stock outstanding — diluted		3,802,972	16,100,000	—	38,462,541
Loss per share:					
Basic	\$ (0.05)	\$ (0.05)	\$ —	\$ —	\$ —
Diluted	\$ (0.05)	\$ (0.05)	\$ —	\$ —	\$ —

NOTE 17—SEGMENT INFORMATION

Select Inc. is an oilfield services company that provides solutions to the North American onshore oil and natural gas industry. The Company's services are offered through three operating segments. Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the CODM in deciding how to allocate resources and assess performance. The Company's CODM assesses performance and allocates resources on the basis of the three reportable segments. Corporate and other expenses that do not individually meet the criteria for segment reporting are reported separately as Corporate. Each operating segment reflects a reportable segment led by separate managers that report directly to the Company's CODM.

As a result of the Rockwater Merger, during the fourth quarter of 2017, the Company reorganized its reporting structure and aligned its segments and underlying businesses to execute on the strategies of the combined company. The Company's revised operating and reportable segments are Water Solutions, Oilfield Chemicals and Wellsite Services. Accordingly, prior period segment information has been retrospectively revised as of December 31, 2017.

The Company's CODM assesses performance and allocates resources on the basis of the following three reportable segments:

Water Solutions —The Water Solutions segment provides water-related services to customers that include major integrated oil companies and independent oil and natural gas producers. These services include: the sourcing of water; the transfer of the water to the wellsite through permanent pipeline infrastructure and temporary pipe; the containment of fluids off- and on-location; measuring and monitoring of water; the filtering and treatment of fluids, well testing and handling of flowback and produced formation water; and the transportation and recycling or disposal of drilling, completion and production fluids.

Oilfield Chemicals —The Oilfield Chemicals segment develops, manufactures and provides a full suite of chemicals utilized in hydraulic fracturing, stimulation, cementing and well completions, including polymer slurries, crosslinkers, friction reducers, buffers, breakers and other chemical technologies, to leading pressure pumping service companies in the United States.

Wellsite Services —The Wellsite Services segment provides oil and natural gas operators with a variety of services, including provision of workforce accommodations and surface rental equipment, crane and logistics services, wellsite and pipeline construction, field and well services, sand-hauling and fluid-logistics services. In addition, we provide water transfer, fluid hauling, containment and rental services in Canada. These services are performed to establish, maintain or improve production throughout the productive life of an oil or gas well or to otherwise facilitate other services performed on a well.

Financial information by segment for the years ended December 31, 2018, 2017 and 2016 is as follows:

	For the year ended December 31, 2018			
	Revenue	Income (loss) before taxes	Depreciation and Amortization	Capital Expenditures
	(in thousands)			
Water solutions	\$ 1,060,217	\$ 113,667	\$ 96,086	\$ 148,303
Oilfield chemicals	260,281	(7,107)	10,496	10,832
Wellsite services	211,729	(6,283)	23,955	12,997
Eliminations	(3,297)	—	—	—
Income from operations		100,277		
Corporate	—	(38,603)	3,176	—
Interest expense, net	—	(5,311)	—	—
Other income, net	—	(360)	—	—
	\$ 1,528,930	\$ 56,003	\$ 133,713	\$ 172,132

	For the year ended December 31, 2017			
	Revenue	Income (loss) before taxes	Depreciation and Amortization	Capital Expenditures
	(in thousands)			
Water solutions	\$ 528,997	\$ 17,424	\$ 82,056	\$ 87,123
Oilfield chemicals	41,586	663	2,040	3,063
Wellsite services	123,964	(6,527)	17,550	18,091
Eliminations	(2,056)	—	—	—
Income from operations		11,560		
Corporate	—	(41,559)	1,803	—
Interest expense, net	—	(6,629)	—	—
Other income, net	—	650	—	—
	\$ 692,491	\$ (35,978)	\$ 103,449	\$ 108,277

	For the year ended December 31, 2016			
	Revenue	Income (loss) before taxes	Depreciation and Amortization	Capital Expenditures
	(in thousands)			
Water solutions	\$ 241,766	\$ (282,019)	\$ 81,051	\$ 34,458
Oilfield chemicals	—	—	—	—
Wellsite services	61,461	(15,038)	16,056	1,868
Eliminations	(828)	—	—	—
Loss from operations		(297,057)		
Corporate	—	(1,916)	—	—
Interest expense, net	—	(16,128)	—	—
Other income, net	—	629	—	—
	\$ 302,399	\$ (314,472)	\$ 97,107	\$ 36,326

Total assets by segment as of December 31, 2018 and 2017 is as follows:

	As of December 31,	
	2018	2017
	(in thousands)	
Water solutions	\$ 1,057,063	\$ 994,159
Oilfield chemicals	173,762	186,333
Wellsite services	106,708	151,272
Corporate	23,072	24,604
	<u>\$ 1,360,605</u>	<u>\$ 1,356,368</u>

Revenue by groups of similar products and services are as follows:

	For the year ended December 31,		
	2018	2017	2016
	(in thousands)		
Water sourcing and transfer ⁽¹⁾	\$ 827,727	\$ 371,352	\$ 144,659
Well testing and flowback	223,817	90,075	37,582
Fluid hauling and disposal	94,189	84,616	59,214
Oilfield chemicals ⁽²⁾	259,791	41,586	—
Accommodations and rentals	66,744	53,888	27,151
Wellsite completion and construction services	56,662	50,974	33,793
	<u>\$ 1,528,930</u>	<u>\$ 692,491</u>	<u>\$ 302,399</u>

(1) Includes water sourcing, water transfer, containment, water monitoring and water treatment and recycling services.

(2) Includes completion and production chemicals.

In connection with the Rockwater Merger in November 2017, the Company expanded into Canada. The Company attributes revenue to the United States and Canada based on the location where services are performed or the destination of the products or equipment sold or rented. Long-lived assets consist of property and equipment and are attributed to the United States and Canada based on the physical location of the asset at the end of the period. The Company's revenue attributed to the United States was \$1,480.4 million or 96.8% and \$680.9 million or 98.3% of total revenue during the years ended December 31, 2018 and 2017, respectively. The Company's revenue attributed to Canada was \$48.6 million or 3.2% and \$11.6 million or 1.7% of total revenue during the years ended December 31, 2018 and 2017, respectively. The Company's net long-lived assets attributed to the United States was \$492.4 million or 97.9% and \$451.7 million or 95.3% of total net long-lived assets as of December 31, 2018 and December 31, 2017, respectively. The Company's net long-lived assets attributed to Canada was \$10.5 million or 2.1% and \$22.4 million or 4.7% of total net long-lived assets as of December 31, 2018 and December 31, 2017, respectively.

NOTE 18—QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

	2018			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands)			
Revenue	\$ 376,395	\$ 393,247	\$ 396,970	\$ 362,318
Gross profit (loss)	47,949	56,728	59,397	34,408
Income (loss) from operations	18,603	24,795	32,258	(13,982)
Net income (loss)	16,132	25,023	31,267	(18,123)
Net income (loss) attributable to Select Energy Services, Inc.	10,099	16,963	22,951	(13,501)
Net income (loss) per share attributable to common stockholders:				
Class A-Basic & Diluted	\$ 0.15	\$ 0.24	\$ 0.29	\$ (0.17)
Class A-1-Basic & Diluted	\$ —	\$ —	\$ —	\$ —
Class A-2-Basic & Diluted	\$ 0.15	\$ —	\$ —	\$ —
Class B-Basic & Diluted	\$ —	\$ —	\$ —	\$ —
	2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands)			
Revenue	\$ 99,925	\$ 134,449	\$ 153,880	\$ 304,237
Gross profit (loss)	(242)	12,254	19,509	26,259
Income (loss) from operations	(12,508)	(11,909)	2,457	(8,039)
Net income (loss)	(12,280)	(10,490)	2,593	(14,950)
Net income (loss) attributable to Select Energy Services, Inc.	(4,172)	(4,216)	1,224	(9,652)
Net income (loss) per share attributable to common stockholders:				
Class A-Basic & Diluted	\$ (0.21)	\$ (0.16)	\$ 0.04	\$ (0.18)
Class A-1-Basic & Diluted	\$ (0.21)	\$ (0.16)	\$ —	\$ —
Class A-2-Basic & Diluted	\$ —	\$ —	\$ —	\$ (0.18)
Class B-Basic & Diluted	\$ —	\$ —	\$ —	\$ —

NOTE 19—SUBSEQUENT EVENTS

The Company has evaluated subsequent events for potential recognition and/or disclosure through March 1, 2019, the date these consolidated financial statements were available to be issued.

During the first quarter of 2019, the Company made the decision to sell and wind down certain operations within its Wellsite Services segment, including the operations of its Affirm subsidiary, its Canadian operations and its sand hauling business. As a result, the Company is currently evaluating its reportable segments with the possibility of making changes to how the Company previously reported.

On February 26, 2019, the Company closed on the sale of a portion of its Affirm subsidiary for a sales price of \$11.2 million, subject to customary closing adjustments. The Company received proceeds of \$11.0 million and expects to recognize a gain related to this sale.

**AMENDMENT NO. 1
TO
EIGHTH AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT
OF
SES HOLDINGS, LLC**

THIS AMENDMENT NO. 1 (this “Amendment”) to the Eighth Amended and Restated Limited Liability Company Agreement of SES Holdings, LLC, a Delaware limited liability company (the “Company”), dated as of December 19, 2016 (the “Agreement”), is entered into as of November 1, 2017, by Select Energy Services, Inc., a Delaware corporation and the managing member of the Company (the “Managing Member”). Capitalized terms used but not defined herein are defined in the Agreement.

RECITALS

WHEREAS, on November 1, 2017, pursuant to the closing (the “Closing”) of the transactions contemplated by that certain Agreement and Plan of Merger (the “Merger Agreement”), dated July 18, 2017, by and among the Managing Member, Raptor Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of the Managing Member, the Company, Raptor Merger Sub, LLC, a Delaware limited liability company and an indirect wholly owned subsidiary of the Company, Rockwater Energy Solutions, Inc., a Delaware corporation (“Rockwater”), and Rockwater Energy Solutions, LLC, a Delaware limited liability company and a partially owned subsidiary of Rockwater (“Rockwater Holdco”), subject to certain exceptions set forth in the Merger Agreement, each unit of Rockwater Holdco then outstanding was converted into the right to receive a number of units of the Company equal to the Exchange Ratio (as defined in the Merger Agreement);

WHEREAS, at the Closing, Rockwater became a wholly owned subsidiary of the Managing Member and changed its name to Select Energy Solutions (RW), Inc. (in such capacity, “Rockwater Sub”);

WHEREAS, following the Closing on November 1, 2017, pursuant to that certain Contribution Agreement (the “Contribution Agreement”), dated November 1, 2017, by and among the Managing Member, Rockwater Sub, SES Sub A, LLC, a Delaware limited liability company and a wholly owned subsidiary of the Managing Member (“Sub A”), SES Sub B, LLC, a Delaware limited liability company and a wholly owned subsidiary of the Managing Member (“Sub B”), SES Sub C, LLC, a Delaware limited liability company and a wholly owned subsidiary of the Managing Member (“Sub C” and, together with the Managing Member, Rockwater Sub, Sub A, and Sub B, the “Transferors”), the Transferors conveyed a certain number of units in the Company (the “Contributed Interests”) to SES Intermediate Holdings, LLC, a Delaware limited liability company and a wholly owned subsidiary of the Managing Member (“SES Intermediate”), in exchange for certain equity interests in SES Intermediate, in each case as set forth in the Contribution Agreement (the “SES Intermediate Contributions”);

WHEREAS, as a result of the SES Intermediate Contributions, SES Intermediate became a unitholder in the Company and was substituted for each Transferor as a member of SES Holdings with respect to the Contributed Interests;

WHEREAS, the Managing Member retained 1,000,000 units of the Company in connection with the transactions contemplated by the Contribution Agreement;

WHEREAS, Section 12.1(b) of the Agreement provides that the Managing Member, acting alone, may amend the Agreement, including Exhibit A thereto, to reflect the admission of new Members and the Transfers of Interest; and

WHEREAS, the Managing Member deems it advisable and in the best interest of the Company to amend the Agreement as provided herein.

NOW, THEREFORE, the Agreement is hereby amended as follows:

Section 1. Amendment.

(a) Section 4.1(e) of the Agreement is hereby amended to add the following at the end of such section:

“Notwithstanding the foregoing, this Section 4.1(e) shall not apply to the transactions contemplated by that certain Agreement and Plan of Merger, dated July 18, 2017 (as amended and supplemented, including pursuant to that certain letter agreement dated September 19, 2017, through the date hereof) , by and among the Managing Member, Raptor Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of the Managing Member, the Company, Raptor Merger Sub, LLC, a Delaware limited liability company and an indirect wholly owned subsidiary of the Company, Rockwater Energy Solutions, Inc., a Delaware corporation, and Rockwater Energy Solutions, LLC, a Delaware limited liability company and a partially owned subsidiary of Rockwater.”

(b) Exhibit A of the Agreement is hereby replaced in its entirety with Exhibit A attached hereto.

Section 2. Ratification of the Agreement. Except as expressly modified and amended herein, all of the terms and conditions of the Agreement shall remain in full force and effect.

Section 3. Governing Law. This Amendment will be governed and construed in accordance with the laws of the State of Delaware.

Section 4. Counterparts. This Amendment may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart.

[Signature page follows.]

IN WITNESS WHEREOF, the Managing Member has executed this Agreement to be effective as of the effective date indicated above.

SELECT ENERGY SERVICES, INC.

By: _____
Name: John D. Schmitz
Title: Executive Chairman

SIGNATURE PAGE TO
AMENDMENT NO. 1 TO
EIGHTH AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT OF
SES HOLDINGS, LLC

EXHIBIT A

Member	Number of Units Owned	Capital Account Balance
Select Energy Services, Inc.	1,000,000	\$16,280,000
SES Legacy Holdings, LLC	35,976,512	\$585,697,615.4
SES Intermediate Holdings, LLC	64,913,015	\$1,056,783,883.88
WDC Aggregate LLC	3,824,179	\$62,257,634.12
John Kenneth Davidson	81,111	\$1,320,487.08
Davidson Family, LLC	49,975	\$813,593
Davidson Family 2012 Irrevocable Trust U/T/A December 28, 2012	46,346	\$754,512.88
Knapp Family 2012 Irrevocable Trust U/T/A December 28, 2012	177,433	\$2,888,609.24
Andrews Family Enterprises, LLC	177,433	\$2,888,609.24

**SELECT ENERGY SERVICES, INC.
2016 EQUITY INCENTIVE PLAN**

RESTRICTED STOCK GRANT NOTICE

Pursuant to the terms and conditions of the Select Energy Services, Inc. 2016 Equity Incentive Plan, as amended from time to time (the “*Plan*”), Select Energy Services, Inc. (the “*Company*”) hereby grants to the individual listed below (“*you*” or the “*Participant*”) the number of shares of Restricted Stock (the “*Restricted Shares*”) set forth below. This award of Restricted Stock (this “*Award*”) is subject to the terms and conditions set forth herein and in the Restricted Stock Agreement attached hereto as Exhibit A (the “*Agreement*”) and the Plan, each of which is incorporated herein by reference. Capitalized terms used but not defined herein shall have the meanings set forth in the Plan.

Participant: _____

Date of Grant: January 19, 2018

**Total Number of
Restricted Shares:** _____

Vesting Schedule: Subject to the Agreement, the Plan and the other terms and conditions set forth herein, the Restricted Shares shall vest and become exercisable according to the following schedule: (i) one-third of the Restricted Shares shall vest on the first anniversary of the Date of Grant, (ii) one-third of the Restricted Shares shall vest on the second anniversary of the Date of Grant and (iii) one-third of the Restricted Shares shall vest on the third anniversary of the Date of Grant, so long as you remain continuously employed by, or you continuously provide services to, the Company or an Affiliate, as applicable, from the Date of Grant through each such vesting date. Notwithstanding anything in the preceding sentence to the contrary, the Restricted Shares granted hereunder shall immediately become fully vested as set forth in Section 3 of the Agreement.

By your signature below, you agree to be bound by the terms and conditions of the Plan, the Agreement and this Restricted Stock Grant Notice (this “*Grant Notice*”). You acknowledge that you have reviewed the Agreement, the Plan and this Grant Notice in their entirety and fully understand all provisions of the Agreement, the Plan and this Grant Notice. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee regarding any questions or determinations that arise under the Agreement, the Plan or this Grant Notice.

You also understand and acknowledge that you should consult with your tax advisor regarding the advisability of filing with the Internal Revenue Service an election under Section 83(b) of the Internal Revenue Code with respect to the Restricted Shares. This election must be filed no later than 30 days after Date of Grant set forth in this Grant Notice. This time period cannot be extended. If you wish to file a Section 83(b) election with respect to the Restricted Shares, an election form is attached hereto as Exhibit B. By signing below, you acknowledge (a)

that you have been advised to consult with a tax advisor regarding the tax consequences of the award of the Restricted Shares and (b) that timely filing a Section 83(b) election (if you choose to do so) is your sole responsibility, even if you request the Company or any of its affiliates or any of their respective managers, directors, officers, employees or authorized representatives (including attorneys, accountants, consultants, bankers, lenders, prospective lenders and financial representatives) to assist in making such filing or to file such election on your behalf.

This Grant Notice may be executed in one or more counterparts (including portable document format (.pdf) and facsimile counterparts), each of which shall be deemed to be an original, but all of which together shall constitute one and the same agreement.

[Signature Page Follows]

IN WITNESS WHEREOF , the Company has caused this Grant Notice to be executed by an officer thereunto duly authorized, and the Participant has executed this Grant Notice, effective for all purposes as provided above.

COMPANY

Select Energy Services, Inc.

By: _____
Name: Holli C. Ladhani
Its: President and Chief Executive Officer

PARTICIPANT

Name:

SIGNATURE PAGE TO
RESTRICTED STOCK GRANT NOTICE

EXHIBIT A

RESTRICTED STOCK AGREEMENT

This Restricted Stock Agreement (together with the Grant Notice to which this Agreement is attached, this “*Agreement*”) is made as of the Date of Grant set forth in the Grant Notice to which this Agreement is attached by and between Select Energy Services, Inc., a Delaware corporation (the “*Company*”), and _____ (the “*Participant*”). Capitalized terms used but not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice.

1. **Award**. In consideration of the Participant’s past and/or continued employment with, or service to, the Company or its Affiliates and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, effective as of the Date of Grant set forth in the Grant Notice (the “*Date of Grant*”), the Company hereby grants to the Participant the number of Restricted Shares set forth in the Grant Notice on the terms and conditions set forth in the Grant Notice, this Agreement and the Plan, which is incorporated herein by reference as a part of this Agreement. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

2. **Vesting of Restricted Shares**.

(a) The Restricted Shares may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of except as provided in this Agreement or the Plan, and, except as otherwise set forth in Section 3 in the event of the termination of the Participant’s employment with the Company or an Affiliate, the Participant shall immediately and without any further action by the Company, forfeit and surrender to the Company for no consideration all of the Restricted Shares with respect to which the Forfeiture Restrictions (as defined below) have not lapsed in accordance with Section 2(b) as of the date of such termination of the Participant’s employment. The prohibition against transfer and the obligation to forfeit and surrender the Restricted Shares to the Company upon termination of the Participant’s employment as provided in the preceding sentence are referred to herein as the “*Forfeiture Restrictions*.” The Forfeiture Restrictions shall be binding upon and enforceable against any transferee of the Restricted Shares.

(b) The Restricted Shares shall be released from the Forfeiture Restrictions in accordance with the vesting schedule set forth in the Grant Notice. The Restricted Shares with respect to which the Forfeiture Restrictions lapse without forfeiture are referred to herein as the “*Earned Shares*.” As soon as administratively practicable following the release of any Stock from the Forfeiture Restrictions, the Company shall, as applicable, either deliver to the Participant the certificate or certificates representing such Stock in the Company’s possession belonging to the Participant, or, if the Stock is held in book-entry form, then the Company shall remove the notations indicating that the Stock is subject to the restrictions of this Agreement. The Participant (or the beneficiary or personal representative of the Participant in the event of the Participant’s death or disability, as the case may be) shall deliver to the Company any representations or other documents or assurances as the Company or its representatives deem necessary or advisable in connection with any such delivery.

3. **Effect of Termination of Employment or Service.**

(a) Notwithstanding anything in the Grant Notice, this Agreement or the Plan to the contrary, the Restricted Shares shall immediately become Earned Shares upon the termination of the Participant's employment or other service relationship with the Company or an Affiliate due to the Participant's "Disability" (as defined below) or death.

(b) Notwithstanding anything in the Grant Notice, this Agreement or the Plan to the contrary, a number of Restricted Shares equal to the "Pro-Rata Amount" (as defined below) shall immediately become Earned Shares upon the termination of the Participant's employment or other service relationship with the Company or an Affiliate due to the Participant's "Retirement" (as defined below). The Participant shall immediately and without any further action by the Company, forfeit and surrender to the Company for no consideration all of the remaining Restricted Shares with respect to which the Forfeiture Restrictions have not lapsed in accordance with the preceding sentence as of the date of such termination of employment or other service relationship.

(c) Notwithstanding anything in the Grant Notice, this Agreement or the Plan to the contrary, the Restricted Shares shall immediately become Earned Shares upon the termination of the Participant's employment or other service relationship with the Company or an Affiliate without "Cause" (as defined below) by the Company or an Affiliate or by the Participant for "Good Reason" (as defined below) within the two-year period following a Change in Control.

(d) For purposes of this Agreement, the following terms have the meanings set forth below:

(i) "**Cause**" means "cause" (or a term of like import) as defined under the Participant's employment, consulting and/or severance agreement with the Company or an Affiliate or, in the absence of such an agreement or definition, shall mean a determination by the Company in its sole discretion that the Participant has: (A) engaged in gross negligence or willful misconduct in the performance of the Participant's duties with respect to the Company or an Affiliate, (B) materially breached any material provision of any written agreement between the Participant and the Company or an Affiliate or corporate policy or code of conduct established by the Company or an Affiliate and applicable to the Participant; (C) willfully engaged in conduct that is materially injurious to the Company or an Affiliate; or (D) been convicted of, pleaded no contest to or received adjudicated probation or deferred adjudication in connection with, a felony involving fraud, dishonestly or moral turpitude (or a crime of similar import in a foreign jurisdiction).

(ii) "**Disability**" means "disability" (or a word of like import) as defined under the Participant's employment agreement or consulting agreement with the Company or, in the absence of such an agreement or definition, shall mean the Participant's inability to perform the Participant's duties, with reasonable accommodation, due to a mental or physical impairment that continues (or can reasonably be expected to continue) for (i) 90 consecutive days or (ii) 180 days out of any 365-day period, which, in either case, shall only be deemed to occur following the written determination by the Committee of any such occurrence of Disability.

(iii) “ **Good Reason** ” means “good reason” (or a term of like import) as defined under the Participant’s employment, consulting and/or severance agreement with the Company or an Affiliate or, in the absence of such an agreement or definition, shall mean (A) a material diminution in the Participant’s base salary or (B) the relocation of the geographic location of the Participant’s principal place of employment by more than 50 miles from the location of the Participant’s principal place of employment as of the Grant Date; provided that, in the case of the Participant’s assertion of Good Reason, (1) the condition described in the foregoing clauses must have arisen without the Participant’s consent; (2) the Participant must provide written notice to the Company of such condition in accordance with this Agreement within 45 days of the initial existence of the condition; (3) the condition specified in such notice must remain uncorrected for 30 days after receipt of such notice by the Company; and (4) the date of termination of the Participant’s employment or other service relationship with the Company or an Affiliate must occur within 90 days after such notice is received by the Company.

(iv) “ **Pro-Rata Amount** ” means (A) the total number of Restricted Shares granted hereunder, *multiplied by* (B) a fraction, the numerator of which is the number of days which have elapsed between the Date of Grant and the date of such termination of employment or other service relationship, and the denominator of which is the total number of days between the Date of Grant and the final vesting date enumerated in the Grant Notice, *less* (C) the number of Restricted Shares for which the Forfeiture Restrictions lapsed prior to the date of such termination of employment or other service relationship.

(v) “ **Retirement** ” means the termination of the Participant’s employment or other service relationship with the Company or an Affiliate due to the Participant’s voluntary resignation on or after attaining age 55 and completing 10 or more full years of service with the Company.

4. **Dividends and Other Distributions** . Dividends and other distributions that are paid or distributed with respect to a Restricted Share (whether in the form of shares of Stock or other property (including cash)) (referred to herein as “ **Distributions** ”) shall be subject to the transfer restrictions and the risk of forfeiture applicable to the related Restricted Share and shall be held by the Company or other depository as may be designated by the Committee as a depository for safekeeping. If the Restricted Share to which such Distributions relate is forfeited to the Company, then such Distributions shall be forfeited to the Company at the same time such Restricted Share is so forfeited. If the Restricted Share to which such Distributions relate becomes vested, then such Distributions shall be paid and distributed to the Participant as soon as administratively feasible after such Restricted Share becomes vested (but in no event later than March 15 of the calendar year following the calendar year in which such vesting occurs). Distributions paid or distributed in the form of securities with respect to Restricted Shares shall bear such legends, if any, as may be determined by the Committee to reflect the terms and conditions of this Agreement and to comply with applicable securities laws.

5. **Tax Withholding** . To the extent that the receipt, vesting or settlement of this Award or any other event occurs that results in compensation income or wages to the Participant for federal, state, local and/or foreign tax purposes, or otherwise causes this Award to become subject to taxation, the Participant shall make arrangements satisfactory to the Company for the satisfaction of obligations for the payment of withholding taxes and other tax obligations relating

to this Award, which arrangements include the delivery of cash or cash equivalents, Stock (including previously owned Stock, net settlement, a broker-assisted sale, or other cashless withholding or reduction of the amount of shares otherwise issuable or delivered pursuant to this Award), other property, or any other legal consideration the Committee deems appropriate. If such tax obligations are satisfied through net settlement or the surrender of previously owned Stock, the maximum number of shares of Stock that may be so withheld (or surrendered) shall be the number of shares of Stock that have an aggregate Fair Market Value on the date of withholding or surrender equal to the aggregate amount of such tax liabilities determined based on the greatest withholding rates for federal, state, local and/or foreign tax purposes, including payroll taxes, that may be utilized without creating adverse accounting treatment for the Company with respect to this Award, as determined by the Committee. The Participant acknowledges that there may be adverse tax consequences upon the receipt, vesting or settlement of this Award or disposition of the underlying shares and that the Participant has been advised, and hereby is advised, to consult a tax advisor. The Participant represents that the Participant is in no manner relying on the Board, the Committee, the Company or an Affiliate or any of their respective managers, directors, officers, employees or authorized representatives (including, without limitation, attorneys, accountants, consultants, bankers, lenders, prospective lenders and financial representatives) for tax advice or an assessment of such tax consequences.

6. **Non-Transferability**. The Restricted Shares may not be sold, pledged, assigned or transferred in any manner unless and until the Forfeiture Restrictions have lapsed. No Restricted Shares or any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of the Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect.

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

law or regulation and to make any representation or warranty with respect to such compliance as may be requested by the Company.

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

9. **Rights as a Stockholder**. Except as otherwise provided herein, upon issuance of the Restricted Shares by the Company, the Participant shall have all the rights of a stockholder of the Company with respect to such Restricted Shares, subject to the restrictions herein, including the right to vote the Restricted Shares.

10. **Execution of Receipts and Releases**. Any transfer of shares of Stock or other property to the Participant or the Participant's legal representative, heir, legatee or distributee, in accordance with this Agreement shall be in full satisfaction of all claims of such person hereunder. As a condition precedent to such transfer, the Company may require the Participant or the Participant's legal representative, heir, legatee or distributee to execute (and not revoke within any time provided to do so) a release and receipt therefor in such form as it shall determine appropriate.

11. **Section 83(b) Election**. If the Participant makes an election under Section 83(b) of the Code to be taxed with respect to the Restricted Shares as of the Date of Grant rather than as of the date or dates upon which the Participant would otherwise be taxable under Section 83(a) of the Code, the Participant hereby agrees to (a) use the election form provided in Exhibit B for such purpose and (b) deliver a copy of such election to the Company at the time of filing such election with the Internal Revenue Service.

12. **No Right to Continued Employment, Service or Awards**. Nothing in the adoption of the Plan, nor the award of the Restricted Shares thereunder pursuant to the Grant Notice and this Agreement, shall confer upon the Participant the right to continued employment by, or a continued service relationship with, the Company or any Affiliate, or any other entity, or affect in any way the right of the Company or any such Affiliate, or any other entity to terminate such employment or other service relationship at any time. The grant of the Restricted Shares is a one-time benefit and does not create any contractual or other right to receive a grant of Awards or benefits in lieu of Awards in the future. Any future Awards will be granted at the sole discretion of the Company.

13. **Lock-Up Period**. If so requested by the Company or any representative of the underwriters in connection with an underwritten public offering of the Company's securities (a "**Public Offering**"), the Participant (or other holder) shall not sell or otherwise transfer or distribute any Stock or other securities of the Company (or any securities convertible or exchangeable or exercisable for Stock or engage in any hedging transactions relating to Stock) during the period beginning 14 days prior to the expected date of the "pricing" of such Public Offering and

continuing for the 180-day period (or such other period as may be requested in writing by such underwriters and agreed to in writing by the Company) following the effective date of such Public Offering. The Company may impose stop-transfer instructions with respect to securities subject to the foregoing restrictions until the end of such period.

14. **Legal and Equitable Remedies**. The Participant acknowledges that a violation or attempted breach of any of the Participant's covenants and agreements in this Agreement will cause such damage as will be irreparable, the exact amount of which would be difficult to ascertain and for which there will be no adequate remedy at law, and accordingly, the parties hereto agree that the Company and its Affiliates shall be entitled as a matter of right to an injunction issued by any court of competent jurisdiction, restraining the Participant or the affiliates, partners or agents of the Participant from such breach or attempted violation of such covenants and agreements, as well as to recover from the Participant any and all costs and expenses sustained or incurred by the Company or any Affiliate in obtaining such an injunction, including, without limitation, reasonable attorneys' fees. The parties to this Agreement agree that no bond or other security shall be required in connection with such injunction. Any exercise by either of the parties to this Agreement of its rights pursuant to this Section 14 shall be cumulative and in addition to any other remedies to which such party may be entitled.

15. **Notices**. All notices and other communications under this Agreement shall be in writing and shall be delivered to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to the Company, unless otherwise designated by the Company in a written notice to the Participant (or other holder):

Select Energy Services, Inc.
Attn: Senior Vice President, General Counsel and Secretary
515 Post Oak Blvd., Suite 200
Houston, Texas 77027

If to the Participant, at the Participant's last known address on file with the Company.

Any notice that is delivered personally or by overnight courier or telecopier in the manner provided herein shall be deemed to have been duly given to the Participant when it is mailed by the Company or, if such notice is not mailed to the Participant, upon receipt by the Participant. Any notice that is addressed and mailed in the manner herein provided shall be conclusively presumed to have been given to the party to whom it is addressed at the close of business, local time of the recipient, on the fourth day after the day it is so placed in the mail.

16. **Consent to Electronic Delivery; Electronic Signature**. In lieu of receiving documents in paper format, the Participant agrees, to the fullest extent permitted by law, to accept electronic delivery of any documents that the Company may be required to deliver (including, but not limited to, prospectuses, prospectus supplements, grant or award notifications and agreements, account statements, annual and quarterly reports and all other forms of communications) in connection with this and any other Award made or offered by the Company. Electronic delivery

may be via a Company electronic mail system or by reference to a location on a Company intranet to which the Participant has access. The Participant hereby consents to any and all procedures the Company has established or may establish for an electronic signature system for delivery and acceptance of any such documents that the Company may be required to deliver, and agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his or her manual signature.

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

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

19. **Severability and Waiver**. If a court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then the invalidity or unenforceability of such provision shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect. Waiver by any party of any breach of this Agreement or failure to exercise any right hereunder shall not be deemed to be a waiver of any other breach or right. The failure of any party to take action by reason of such breach or to exercise any such right shall not deprive the party of the right to take action at any time while or after such breach or condition giving rise to such rights continues.

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

21. **Governing Law**. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED THEREIN, EXCLUSIVE OF THE CONFLICT OF LAWS PROVISIONS OF DELAWARE LAW.

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

23. **Headings**. Headings are for convenience only and are not deemed to be part of this Agreement.

24. **Counterparts**. The Grant Notice may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. Delivery of an executed counterpart of the Grant Notice by facsimile or portable document format (.pdf) attachment to electronic mail shall be effective as delivery of a manually executed counterpart of the Grant Notice.

EXHIBIT B

SECTION 83(b) ELECTION

The undersigned taxpayer hereby elects, pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended, to include in gross income as compensation for services the excess (if any) of the fair market value of the property described below over the amount paid for such property.

1. The name, taxpayer identification number and address of the undersigned (the “ **Taxpayer** ”), and the taxable year for which this election is being made are:

Taxpayer’s Name: _____

Taxpayer’s Social Security Number: _____ - _____ - _____

Taxpayer’s Address: _____

Taxable Year: _____

2. The property that is the subject of this election (the “ **Property** ”) is _____ shares of Class A common stock of Select Energy Services, Inc.
3. The Property was transferred to the Taxpayer on _____.
4. The Property is subject to the following restrictions: The shares are subject to various transfer restrictions and are subject to forfeiture in the event certain service conditions are not satisfied.
5. The fair market value of the Property at the time of transfer (determined without regard to any restriction other than a nonlapse restriction as defined in Section 1.83-3(h) of the Income Tax Regulations) is \$_____ per share x _____ shares = \$_____.
6. The amount paid by the Taxpayer for the Property is \$0.00.
7. The amount to include in gross income is \$_____.

The undersigned taxpayer will file this election with the Internal Revenue Service office with which the taxpayer files his or her annual income tax return not later than 30 days after the date of transfer of the Property. A copy of the election also will be furnished to the person for whom the services were performed at the time of filing this election with the Internal Revenue Service. The undersigned is the person performing the services in connection with which the Property was transferred.

Dated: _____
_____ Taxpayer’s Signature

**SELECT ENERGY SERVICES, INC.
2016 EQUITY INCENTIVE PLAN**

PERFORMANCE SHARE UNIT GRANT NOTICE

Pursuant to the terms and conditions of the Select Energy Services, Inc. 2016 Equity Incentive Plan, as amended from time to time (the “*Plan*”), Select Energy Services, Inc. (the “*Company*”) hereby grants to the individual listed below (“*you*” or the “*Participant*”) the number of performance share units (the “*PSUs*”) set forth below. This award of PSUs (this “*Award*”) is subject to the terms and conditions set forth herein and in the Performance Share Unit Agreement attached hereto as Exhibit A (the “*Agreement*”) and the Plan, each of which is incorporated herein by reference. Capitalized terms used but not defined herein shall have the meanings set forth in the Plan.

Participant:

Date of Grant:

January 19, 2018

Award Type and Description:

Other Stock-Based Award granted pursuant to Section 6(h) of the Plan that has been designated as a Performance Award under Section 6(k) of the Plan. This Award represents the right to receive shares of Stock in an amount up to 175% of the Target PSUs (defined below), subject to the terms and conditions set forth herein and in the Agreement.

Your right to receive settlement of this Award in an amount ranging from 0% to 175% of the Target PSUs shall vest and become earned and nonforfeitable upon (i) your satisfaction of the continued employment or service requirements described below under “*Service Requirement*” and (ii) the Committee’s certification of the level of achievement of the Performance Goal (defined below). The portion of the Target PSUs actually earned upon satisfaction of the foregoing requirements is referred to herein as the “*Earned PSUs*.”

Target Number of PSUs:

(the “*Target PSUs*”).

Performance Period:

January 1, 2018 (the “*Performance Period Commencement Date*”) through December 31, 2020 (the “*Performance Period End Date*”).

Service Requirement:

Except as expressly provided in Sections 4 and 5 of the Agreement, you must remain continuously employed by, or continuously provide services to, the Company or an Affiliate, as applicable, from the Date of Grant through the Performance Period End Date to be eligible to receive payment of this Award, which is based on the level of achievement with respect to the Performance Goal (as defined below).

Performance Goal :

Subject to the terms and conditions set forth in the Plan, the Agreement and herein, the number of Target PSUs, if any, that become Earned PSUs during the Performance Period will be determined in accordance with the following table:

<u>Return on Assets at Performance Period End Date</u>	<u>Percentage of Target PSUs Earned*</u>
Less than 9.6%	0%
9.6%	50%
12%	100%
14.4%	175%

*The percentage of Target PSUs earned for other Return on Assets values between the values set forth in the table shall be linearly interpolated between the values in the table.

The “ **Performance Goal** ” for the Performance Period is based on the Company’s achievement with respect to Return on Assets (defined below) as described herein. For purposes of this Award:

(i) “ **Return on Assets** ” means the percentage obtained by dividing (A) Adjusted Net Income by (B) Net Assets;

(ii) “ **Adjusted Net Income** ” means the product obtained by multiplying:

(A) income/(loss) before tax benefit/(expense) determined in accordance with generally accepted accounting principles, as adjusted for clauses (b) through (j) in the definition of “EBITDA” in that certain Credit Agreement dated as of November 1, 2017, among the Company, SES Holdings, LLC, Wells Fargo Bank, National Association, JPMorgan Chase Bank, N.A., and the lenders party thereto; provided, however, that such adjustments shall exclude certain extraordinary items, including (x) any net non-cash gain or loss during such period arising from the sale, exchange, retirement or other disposition of capital assets (such term to include all fixed assets and all securities) other than in the ordinary course of business, and (y) any write-up or write-down of assets, *by*

(B) 0.79; and

(iii) “ **Net Assets** ” shall be the Company’s average property and equipment, net, for the Performance Period, *plus* average total current assets (other than cash and cash equivalents and current tax assets) for the Performance Period, less average total current liabilities (other than current tax liabilities) for the Performance Period, each as determined in accordance with generally accepted accounting principles or on a non-GAAP basis consistent with the Company’s practices.

The Committee may adjust the Performance Goal as permitted by the Plan.

An example calculation of Return on Assets is attached hereto as Exhibit B.

Settlement:

Settlement of the Earned PSUs shall be made solely in shares of Stock, which shall be delivered to you in accordance with Section 6 of the Agreement.

By your signature below, you agree to be bound by the terms and conditions of the Plan, the Agreement and this Performance Share Unit Grant Notice (this “ **Grant Notice** ”). You acknowledge that you have reviewed the Agreement, the Plan and this Grant Notice in their entirety and fully understand all provisions of the Agreement, the Plan and this Grant Notice. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee regarding any questions or determinations that arise under the Agreement, the Plan or this Grant Notice. This Grant Notice may be executed in one or more counterparts (including portable document format (.pdf) and facsimile counterparts), each of which shall be deemed to be an original, but all of which together shall constitute one and the same agreement.

[Signature Page Follows]

IN WITNESS WHEREOF , the Company has caused this Grant Notice to be executed by an officer thereunto duly authorized, and the Participant has executed this Grant Notice, effective for all purposes as provided above.

COMPANY

Select Energy Services, Inc.

By: _____

Name: Holli C. Ladhani

Its: President and Chief Executive Officer

PARTICIPANT

Name:

SIGNATURE PAGE TO
PERFORMANCE SHARE UNIT GRANT NOTICE

EXHIBIT A

PERFORMANCE SHARE UNIT AGREEMENT

This Performance Share Unit Agreement (together with the Grant Notice to which this Agreement is attached, this “**Agreement**”) is made as of the Date of Grant set forth in the Grant Notice to which this Agreement is attached by and between Select Energy Services, Inc., a Delaware corporation (the “**Company**”), and _____ (the “**Participant**”). Capitalized terms used but not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice.

1. **Definitions.** For purposes of this Agreement, the following terms shall have the meanings specified below.

(a) “**Cause**” means “cause” (or a term of like import) as defined under the Participant’s employment, consulting and/or severance agreement with the Company or an Affiliate or, in the absence of such an agreement or definition, shall mean a determination by the Company in its sole discretion that the Participant has: (i) engaged in gross negligence or willful misconduct in the performance of the Participant’s duties with respect to the Company or an Affiliate, (ii) materially breached any material provision of any written agreement between the Participant and the Company or an Affiliate or corporate policy or code of conduct established by the Company or an Affiliate and applicable to the Participant; (iii) willfully engaged in conduct that is materially injurious to the Company or an Affiliate; or (iv) been convicted of, pleaded no contest to or received adjudicated probation or deferred adjudication in connection with, a felony involving fraud, dishonestly or moral turpitude (or a crime of similar import in a foreign jurisdiction).

(b) “**Disability**” means “disability” (or a term of like import) as defined under the Participant’s employment, consulting and/or severance agreement with the Company or an Affiliate or, in the absence of such an agreement or definition, shall mean the Participant’s inability to perform the Participant’s duties, with reasonable accommodation, due to a mental or physical impairment that continues (or can reasonably be expected to continue) for (i) 90 consecutive days or (ii) 180 days out of any 365-day period, which, in either case, shall only be deemed to occur following the written determination by the Company of any such occurrence of Disability.

(c) “**Good Reason**” means “good reason” (or a term of like import) as defined under the Participant’s employment, consulting and/or severance agreement with the Company or an Affiliate or, in the absence of such an agreement or definition, shall mean (i) a material diminution in the Participant’s base salary or (ii) the relocation of the geographic location of the Participant’s principal place of employment by more than 50 miles from the location of the Participant’s principal place of employment as of the Grant Date; provided that, in the case of the Participant’s assertion of Good Reason, (A) the condition described in the foregoing clauses must have arisen without the Participant’s consent; (B) the Participant must provide written notice to the Company of such condition in accordance with this Agreement within 45 days of the initial existence of the condition; (C) the condition specified in such notice must remain uncorrected for 30 days after receipt of such notice by the Company; and (D) the date of termination of the

Participant's employment or other service relationship with the Company or an Affiliate must occur within 90 days after such notice is received by the Company.

(d) “ **Retirement** ” means the termination of the Participant's employment or other service relationship with the Company or an Affiliate due to the Participant's voluntary resignation on or after attaining age 55 and completing 10 or more full years of service with the Company or an Affiliate.

2. **Award**. In consideration of the Participant's past and/or continued employment with, or service to, the Company or its Affiliates and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, effective as of the Date of Grant set forth in the Grant Notice (the “ **Date of Grant** ”), the Company hereby grants to the Participant the target number of PSUs set forth in the Grant Notice on the terms and conditions set forth in the Grant Notice, this Agreement and the Plan, which is incorporated herein by reference as a part of this Agreement. In the event of any inconsistency between the Plan and this Agreement (including, for the avoidance of doubt, with respect of the subject matter covered in Section 5), the terms of the Plan shall control. To the extent vested, each PSU represents the right to receive one share of Stock, subject to the terms and conditions set forth in the Grant Notice, this Agreement and the Plan; provided, however, that, depending on the level of performance determined to be attained with respect to the Performance Goal, the number of shares of Stock that may be earned hereunder in respect of this Award may range from 0% to 175% of the Target PSUs. Unless and until the PSUs have become vested in the manner set forth in the Grant Notice, the Participant will have no right to receive any Stock or other payments in respect of the PSUs. Prior to settlement of this Award, the PSUs and this Award represent an unsecured obligation of the Company, payable only from the general assets of the Company.

3. **Vesting of PSUs**. Except as otherwise set forth in Sections 4 and 5, the PSUs shall vest and become Earned PSUs in accordance with the Participant's satisfaction of the vesting schedule set forth in the Grant Notice (the “ **Service Requirement** ”) based on the extent to which the Company has satisfied the Performance Goal set forth in the Grant Notice, which shall be determined by the Committee in its sole discretion following the end of the Performance Period (and any PSUs that do not become Earned PSUs shall be automatically forfeited). Unless and until the PSUs have vested and become Earned PSUs as described in the preceding sentence, the Participant will have no right to receive any dividends or other distribution with respect to the PSUs.

4. **Effect of Termination of Employment or Service**.

(a) *Termination of Employment or Service without Cause [or for Good Reason]*. Notwithstanding anything in the Grant Notice, this Agreement or the Plan to the contrary, upon the termination of the Participant's employment or other service relationship with the Company or an Affiliate without Cause by the Company or an Affiliate [or by the Participant for Good Reason] that occurs prior to the Performance Period End Date, then the Participant shall be deemed to have satisfied the Service Requirement with respect to the PSUs and such PSUs shall remain outstanding and, subject to the satisfaction of the Performance Goal, become Earned PSUs, which shall be eligible for settlement in accordance with Section 6.

(b) *Termination of Employment or Service due to Disability or Death.* Notwithstanding anything in the Grant Notice, this Agreement or the Plan to the contrary, upon the termination of the Participant's employment or other service relationship with the Company or an Affiliate due to the Participant's Disability or death that occurs prior to the Performance Period End Date, then the Participant shall be deemed to have satisfied the Service Requirement with respect to the PSUs and such PSUs shall remain outstanding and, subject to the satisfaction of the Performance Goal, become Earned PSUs, which shall be eligible for settlement in accordance with Section 6.

(c) *Termination of Employment or Service due to Retirement .* Notwithstanding anything in the Grant Notice, this Agreement or the Plan to the contrary, upon the termination of the Participant's employment or other service relationship with the Company or an Affiliate due to the Participant's Retirement that occurs prior to the Performance Period End Date, then the Participant shall be deemed to have satisfied the Service Requirement with respect to a number of PSUs equal to (i) the Target PSUs, *multiplied by* (ii) a fraction, the numerator of which is the number of days which have elapsed between the Performance Period Commencement Date and the date of such termination of employment or other service relationship, and the denominator of which is the total number of days in the Performance Period, and such PSUs shall remain outstanding and, subject to the satisfaction of the Performance Goal, become Earned PSUs, which shall be eligible for settlement in accordance with Section 6. With respect to the remaining portion of the Target PSUs for which the Service Requirement is not deemed to have been satisfied in accordance with the preceding sentence, such Target PSUs (and all rights arising from such PSUs and from being a holder thereof) will terminate automatically without any further action by the Company and will be forfeited without further notice and at no cost to the Company.

(d) *Other Termination of Employment or Service.* Except as otherwise provided in Section 4(a), (b) or (c), if the Participant has not satisfied the Service Requirement, then upon the termination of the Participant's employment or other service relationship with the Company or an Affiliate for any reason, any unearned PSUs (and all rights arising from such PSUs and from being a holder thereof) will terminate automatically without any further action by the Company and will be forfeited without further notice and at no cost to the Company.

5. **Change in Control.** In the event a Change in Control (so long as such Change in Control also constitutes a "change in control event" as defined in the Nonqualified Deferred Compensation Rules) occurs prior to the Performance Period End Date (the date of such occurrence, the "***Change in Control Date***"), so long as the Participant has remained continuously employed by, or has continuously provided services to, the Company or an Affiliate, as applicable, from the Date of Grant through the Change in Control Date, then:

(a) A portion of the PSUs determined by multiplying (i) the Target PSUs by (ii) a fraction, the numerator of which is the number of days which elapsed between the Performance Period Commencement Date and the Change in Control Date, and the denominator of which is the total number of days in the Performance Period, will be deemed to be Earned PSUs to the extent that the Performance Goal has been achieved as of the Change in Control Date assuming that the Performance Period ended on the Change in Control Date, and which shall be eligible for settlement in accordance with Section 6 except that settlement shall occur within 60 days following the Change in Control Date; and

(b) With respect to the remaining portion of the Target PSUs that are not subject to Section 5(a), (i) if the Company continues following the Change in Control in substantially the same form as it existed immediately prior to the Change in Control, such Target PSUs shall remain outstanding and be eligible to be earned in accordance with the terms hereof, or (ii) if the Company does not continue following the Change in Control in substantially the same form as it existed immediately prior to the Change in Control, the successor, surviving, continuing or purchasing entity or parent thereof, as applicable, to the Company shall provide for a replacement or substitute grant on substantially similar terms to this Award, subject to the terms and conditions of the applicable plans of such successor, surviving, continuing or purchasing entity or parent thereof, as applicable, as in effect following the Change in Control.

6. **Settlement of PSUs**. As soon as administratively practicable following the Committee's certification of the level of attainment of the Performance Goal (which is expected to occur within two weeks following the date the Company files its annual report on Form 10-K for the Company's fiscal year that includes the Performance Period End Date), but in no event later than June 30 of the calendar year following the Performance Period End Date, the Company shall deliver to the Participant (or the Participant's permitted transferee, if applicable), a number of shares of Stock equal to the number of Earned PSUs; provided, however, that any fractional PSU that becomes earned hereunder shall be rounded down at the time shares of Stock are issued in settlement of such PSU. No fractional shares of Stock, nor the cash value of any fractional shares of Stock, shall be issuable or payable to the Participant pursuant to this Agreement. All shares of Stock, if any, issued hereunder shall be delivered either by delivering one or more certificates for such shares to the Participant or by entering such shares in book-entry form, as determined by the Committee in its sole discretion. The value of shares of Stock shall not bear any interest owing to the passage of time. Neither this Section 6 nor any action taken pursuant to or in accordance with this Agreement shall be construed to create a trust or a funded or secured obligation of any kind.

7. **Tax Withholding**. To the extent that the receipt, vesting or settlement of this Award results in compensation income or wages to the Participant for federal, state, local and/or foreign tax purposes, the Participant shall make arrangements satisfactory to the Company for the satisfaction of obligations for the payment of withholding taxes and other tax obligations relating to this Award, which arrangements include the delivery of cash or cash equivalents, Stock (including previously owned Stock, net settlement, a broker-assisted sale, or other cashless withholding or reduction of the amount of shares otherwise issuable or delivered pursuant to this Award), other property, or any other legal consideration the Committee deems appropriate. If such tax obligations are satisfied through net settlement or the surrender of previously owned Stock, the maximum number of shares of Stock that may be so withheld (or surrendered) shall be the number of shares of Stock that have an aggregate Fair Market Value on the date of withholding or surrender equal to the aggregate amount of such tax liabilities determined based on the greatest withholding rates for federal, state, local and/or foreign tax purposes, including payroll taxes, that may be utilized without creating adverse accounting treatment for the Company with respect to this Award, as determined by the Committee. The Participant acknowledges that there may be adverse tax consequences upon the receipt, vesting or settlement of this Award or disposition of the underlying shares and that the Participant has been advised, and hereby is advised, to consult a tax advisor. The Participant represents that the Participant is in no manner relying on the Board, the Committee, the Company or an Affiliate or any of their respective managers, directors, officers,

employees or authorized representatives (including, without limitation, attorneys, accountants, consultants, bankers, lenders, prospective lenders and financial representatives) for tax advice or an assessment of such tax consequences.

8. **Non-Transferability**. During the lifetime of the Participant, the PSUs may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the shares of Stock underlying the PSUs have been issued, and all restrictions applicable to such shares have lapsed. Neither the PSUs nor any interest or right therein shall be liable for the debts, contracts or engagements of the Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means, whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

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

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

11. **Rights as a Stockholder**. The Participant shall have no rights as a stockholder of the Company with respect to any shares of Stock that may become deliverable hereunder unless

and until the Participant has become the holder of record of such shares of Stock, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of any such shares of Stock, except as otherwise specifically provided for in the Plan or this Agreement.

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

13. **No Right to Continued Employment, Service or Awards**. Nothing in the adoption of the Plan, nor the award of the PSUs thereunder pursuant to the Grant Notice and this Agreement, shall confer upon the Participant the right to continued employment by, or a continued service relationship with, the Company or any Affiliate, or any other entity, or affect in any way the right of the Company or any such Affiliate, or any other entity to terminate such employment or other service relationship at any time. The grant of the PSUs is a one-time benefit and does not create any contractual or other right to receive a grant of Awards or benefits in lieu of Awards in the future. Any future Awards will be granted at the sole discretion of the Company.

14. **Lock-Up Period**. If so requested by the Company or any representative of the underwriters in connection with an underwritten public offering of the Company's securities (a "**Public Offering**"), the Participant (or other holder) shall not sell or otherwise transfer or distribute any Stock or other securities of the Company (or any securities convertible or exchangeable or exercisable for Stock or engage in any hedging transactions relating to Stock) during the period beginning 14 days prior to the expected date of the "pricing" of such Public Offering and continuing for the 180-day period (or such other period as may be requested in writing by such underwriters and agreed to in writing by the Company) following the effective date of such Public Offering. The Company may impose stop-transfer instructions with respect to securities subject to the foregoing restrictions until the end of such period.

15. **Legal and Equitable Remedies**. The Participant acknowledges that a violation or attempted breach of any of the Participant's covenants and agreements in this Agreement will cause such damage as will be irreparable, the exact amount of which would be difficult to ascertain and for which there will be no adequate remedy at law, and accordingly, the parties hereto agree that the Company and its Affiliates shall be entitled as a matter of right to an injunction issued by any court of competent jurisdiction, restraining the Participant or the affiliates, partners or agents of the Participant from such breach or attempted violation of such covenants and agreements, as well as to recover from the Participant any and all costs and expenses sustained or incurred by the Company or any Affiliate in obtaining such an injunction, including, without limitation, reasonable attorneys' fees. The parties to this Agreement agree that no bond or other security shall be required in connection with such injunction. Any exercise by either of the parties to this Agreement of its rights pursuant to this Section 15 shall be cumulative and in addition to any other remedies to which such party may be entitled.

16. **Notices**. All notices and other communications under this Agreement shall be in writing and shall be delivered to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to the Company, unless otherwise designated by the Company in a written notice to the Participant (or other holder):

Select Energy Services, Inc.
Attn: Senior Vice President, General Counsel and Secretary
515 Post Oak Blvd., Suite 200
Houston, Texas 77027

If to the Participant, at the Participant's last known address on file with the Company.

Any notice that is delivered personally or by overnight courier or telecopier in the manner provided herein shall be deemed to have been duly given to the Participant when it is mailed by the Company or, if such notice is not mailed to the Participant, upon receipt by the Participant. Any notice that is addressed and mailed in the manner herein provided shall be conclusively presumed to have been given to the party to whom it is addressed at the close of business, local time of the recipient, on the fourth day after the day it is so placed in the mail.

17. **Consent to Electronic Delivery; Electronic Signature**. In lieu of receiving documents in paper format, the Participant agrees, to the fullest extent permitted by law, to accept electronic delivery of any documents that the Company may be required to deliver (including, but not limited to, prospectuses, prospectus supplements, grant or award notifications and agreements, account statements, annual and quarterly reports and all other forms of communications) in connection with this and any other Award made or offered by the Company. Electronic delivery may be via a Company electronic mail system or by reference to a location on a Company intranet to which the Participant has access. The Participant hereby consents to any and all procedures the Company has established or may establish for an electronic signature system for delivery and acceptance of any such documents that the Company may be required to deliver, and agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his or her manual signature.

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

19. **Entire Agreement; Amendment**. This Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to the PSUs granted hereby; provided, however, that the terms of this Agreement shall not modify and shall be subject to the terms and conditions of any employment, consulting and/or severance agreement between the Company (or an Affiliate or other entity) and the Participant in effect as of the date a determination is to be made under this Agreement. Without limiting the scope of the preceding sentence, except as provided therein, all prior understandings and agreements, if any, among the

parties hereto relating to the subject matter hereof are hereby null and void and of no further force and effect. The Committee may, in its sole discretion, amend this Agreement from time to time in any manner that is not inconsistent with the Plan; provided, however, that except as otherwise provided in the Plan or this Agreement, any such amendment that materially reduces the rights of the Participant shall be effective only if it is in writing and signed by both the Participant and an authorized officer of the Company.

20. **Severability and Waiver**. If a court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then the invalidity or unenforceability of such provision shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect. Waiver by any party of any breach of this Agreement or failure to exercise any right hereunder shall not be deemed to be a waiver of any other breach or right. The failure of any party to take action by reason of such breach or to exercise any such right shall not deprive the party of the right to take action at any time while or after such breach or condition giving rise to such rights continues.

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

22. **Governing Law**. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED THEREIN, EXCLUSIVE OF THE CONFLICT OF LAWS PROVISIONS OF DELAWARE LAW.

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

24. **Headings**. Headings are for convenience only and are not deemed to be part of this Agreement.

25. **Counterparts**. The Grant Notice may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. Delivery of an executed counterpart of the Grant Notice by facsimile or portable document format (.pdf) attachment to electronic mail shall be effective as delivery of a manually executed counterpart of the Grant Notice.

26. **Section 409A**. Notwithstanding anything herein or in the Plan to the contrary, the PSUs granted pursuant to this Agreement are intended to comply with the applicable requirements

of the Nonqualified Deferred Compensation Rules and shall be construed and interpreted in accordance with such intent. If the Participant is deemed to be a “specified employee” within the meaning of the Nonqualified Deferred Compensation Rules , as determined by the Committee, at a time when the Participant becomes eligible for settlement of the PSUs upon his “separation from service” within the meaning of the Nonqualified Deferred Compensation Rules , then to the extent necessary to prevent any accelerated or additional tax under the Nonqualified Deferred Compensation Rules , such settlement will be delayed until the earlier of: (a) the date that is six months following the Participant’s separation from service and (b) the Participant’s death. Notwithstanding the foregoing, the Company and its Affiliates make no representations that the PSUs provided under this Agreement are compliant with the Nonqualified Deferred Compensation Rules and in no event shall the Company or any Affiliate be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with the Nonqualified Deferred Compensation Rules .

EXHIBIT B

EXAMPLE RETURN ON ASSETS CALCULATION

Example of how we would calculate the ROA in a given year using 2018 figures as an example:
(*\$ in thousands*)

	Projected1 2017YE	Plan2 2018YE
Net PP&E	\$ 474,667	\$ 483,687
Net Working Capital	268,644	304,979
Total PP&E + NWC	\$ 743,311	\$ 788,667
Full Year Average		\$ 765,989
Adj. Pre-Tax Income		\$ 126,539
Less: Taxes @ 21%		26,573
Net Income		\$ 99,966
Return on Assets		13.1 %

Notes:

- 1 Based on preliminary estimates for purchase price allocation which is still under review and subject to change
- 2 Based on 2018 board approved plan of \$310mm of Adjusted EBITDA

3 Year Target ROA = 12%

Exhibit B-1

**SELECT ENERGY SERVICES, INC.
2016 EQUITY INCENTIVE PLAN
STOCK OPTION AGREEMENT**

Grant Date:	[●], 2018 (the “ <i>Grant Date</i> ”)
Name of Participant:	John Schmitz (the “ <i>Participant</i> ”)
Number of Shares of Stock subject to Option:	[●] (the “ <i>Shares</i> ”)
Per Share Exercise Price:	[●] (the “ <i>Exercise Price Per Share</i> ”)

This **STOCK OPTION AGREEMENT** (this “ *Agreement* ”), dated as of the Grant Date specified above, is entered into by and between Select Energy Services, Inc., a Delaware corporation (the “ *Company* ”), and the Participant, pursuant to which the Company grants the Participant an option (the “ *Option* ”) to purchase from the Company, for the Exercise Price Per Share, up to the number of Shares set forth above pursuant to the Select Energy Services, Inc. 2016 Equity Incentive Plan (the “ *Plan* ”). Capitalized terms not otherwise defined in this Agreement shall have the meaning given to them in the Plan. The Option is not intended to be subject to Section 422 of the Internal Revenue Code of 1986, as amended (the “ *Code* ”).

1. **Terms**. The terms and conditions of the Option granted hereby, to the extent not superseded by the terms and conditions contained in the Plan, are as follows:

(a) **Price**. The price at which each Share may be purchased shall be the Exercise Price Per Share set forth above, subject to any adjustments that may be made pursuant to the terms of the Plan.

(b) **Vesting**. Except as otherwise provided herein, the Option shall vest and become exercisable as to 50% of the Shares on each of the first and second anniversaries of the Grant Date specified above, so long as the Participant has been continuously employed by, or has continuously provided services to, the Company or an Affiliate of the Company, as applicable, through such vesting date.

(c) **Exercise Limitation**. The Option may be exercised only to the extent that it is vested and may, to the extent vested, be exercised in whole or in part. Except as set forth in Section 5, (i) the Participant may not exercise the Option unless at the time of exercise the Participant has been employed by, or has otherwise provided services to, the Company or an Affiliate continuously since the Grant Date, and (ii) the unvested portion of the Option shall terminate and be forfeited immediately on the date the Participant ceases to be an employee of, or ceases providing services to, the Company or an Affiliate. The Option shall be exercisable during the lifetime of the Participant only by the Participant or the person to whom the Participant’s rights shall pass by will or the laws of descent and distribution.

(d) **Expiration**. The Option shall expire on the tenth (10th) anniversary of the Grant Date (the “ *Expiration Date* ”) and, notwithstanding anything contained to the contrary herein, no portion of the Option shall be exercisable after such date.

2. **Exercise and Payment**

(a) **Manner of Exercise**. The Participant (or his or her representative, guardian, devisee or heir, as applicable) may exercise any portion of the Option that has become vested in accordance with the terms of this Agreement as to all or any of the Shares by giving written notice of exercise to the Company, in the form attached hereto as Exhibit A, specifying the number of Shares to be purchased and accompanying such notice with payment of the Exercise Price Per Share for each Share purchased. The election shall state the address to which distributions, notices, reports, or similar information are to be sent, and shall contain the Participant's social security number or employee identification number. If the Company has elected to issue certificates for Shares, only one certificate evidencing the Shares will be issued unless the Participant otherwise requests in writing. Shares purchased upon exercise of the Option will be issued in the name of the Participant. The Participant shall not be entitled to any rights and privileges as a stockholder of the Company in respect of any of the Shares covered by the Option until such Shares shall have been purchased pursuant to the exercise of the Option by the Participant in accordance with the foregoing.

(b) **Payment**. Payment of the Exercise Price Per Share shall be in cash or cash equivalents, Stock (including previously owned shares or through a cashless exercise, i.e., "net settlement", a broker-assisted exercise, or other reduction of the amount of Shares otherwise issuable pursuant to the Option) or any other legal consideration the Committee deems appropriate.

3. **The Plan**. It is understood that the Plan is incorporated into this Agreement by reference and made a part of this Agreement as if fully set forth in this Agreement. In the event there shall be any conflict between the Plan and this Agreement, the terms of the Plan shall control. The Committee shall have authority to interpret this Agreement, and to correct any defect or supply any omission or reconcile any inconsistency in this Agreement, and to prescribe rules and regulations relating to the administration of the Option and other options granted under the Plan.

4. **Withholding Tax**. Prior to the exercise of the Option, and as a condition to the Company's obligation to deliver Shares upon such exercise, or in connection with any disposition of Shares acquired pursuant to such exercise, the Participant (or any person permitted to exercise the Option in the event of the Participant's death) shall make arrangements satisfactory to the Company for the satisfaction of obligations for the payment of withholding taxes and other tax obligations relating to the Option, which arrangements include the delivery of cash or cash equivalents, Stock (including previously owned Stock, net settlement, a broker-assisted sale, or other cashless withholding or reduction of the amount of Shares otherwise issuable or delivered pursuant to the Option), other property, or any other legal consideration the Committee deems appropriate. If such tax obligations are satisfied through net settlement or the surrender of owned Stock, the maximum number of shares of Stock that may be so withheld (or surrendered) shall be the number of shares of Stock that have an aggregate Fair Market Value on the date of withholding or surrender equal to the aggregate amount of such tax liabilities determined based on the greatest withholding rates for federal, state, local and/or foreign tax purposes, including payroll taxes, that may be utilized without creating adverse accounting treatment for the Company with respect to such Award, as determined by the

Committee. The Participant acknowledges that there may be adverse tax consequences upon the vesting, exercise or settlement of the Award or disposition of the underlying Shares and that the Participant has been advised, and hereby is advised, to consult a tax advisor prior to such vesting, exercise or settlement. The Participant represents that he is in no manner relying on the Board, the Committee, the Company or any of its Affiliates or any of their respective managers, directors, officers, employees or authorized representatives (including, without limitation, attorneys, accountants, consultants, bankers, lenders, prospective lenders and financial representatives) for tax advice or an assessment of such tax consequences.

5. **Termination of Employment or Other Relationship** .

(a) **Termination** . Subject to **Section 5(b)** and **Section 5(c)** , if the Participant's employment or other service relationship with the Company or an Affiliate shall be terminated by the Company or an Affiliate or by the Participant for any reason, then the Participant shall be entitled to exercise the Option (only to the extent vested) during the one-year period following the date of the termination of such employment or service relationship.

(b) **Termination without Cause, for Good Reason, or due to Death or Disability** . Notwithstanding anything contained herein to the contrary, if the Participant's employment or other service relationship with the Company or an Affiliate is terminated (i) by the Company or an Affiliate without "Cause" (as defined below), (ii) by the Participant for "Good Reason" (as defined below), or (iii) due to the Participant's "Disability" (as defined below) or death, the Option shall immediately become fully vested upon such termination and be fully exercisable on the date of the termination of such employment or service relationship and remain exercisable until the expiration date of the Option.

(c) For purposes of this Agreement, the following terms have the meanings set forth below:

(i) "***Cause***" means "cause" (or a term of like import) as defined under the Participant's employment, consulting and/or severance agreement with the Company or an Affiliate or, in the absence of such an agreement or definition, shall mean a determination by the Company in its sole discretion that the Participant has: (A) engaged in gross negligence or willful misconduct in the performance of the Participant's duties with respect to the Company or an Affiliate, (B) materially breached any material provision of any written agreement between the Participant and the Company or an Affiliate or corporate policy or code of conduct established by the Company or an Affiliate and applicable to the Participant; (C) willfully engaged in conduct that is materially injurious to the Company or an Affiliate; or (D) been convicted of, pleaded no contest to or received adjudicated probation or deferred adjudication in connection with, a felony involving fraud, dishonestly or moral turpitude (or a crime of similar import in a foreign jurisdiction).

(ii) "***Disability***" means "disability" (or a word of like import) as defined under the Participant's employment agreement or consulting agreement with the Company or, in the absence of such an agreement or definition, shall mean the Participant's inability to

perform the Participant's duties, with reasonable accommodation, due to a mental or physical impairment that continues (or can reasonably be expected to continue) for (i) 90 consecutive days or (ii) 180 days out of any 365-day period, which in either case, shall only be deemed to occur following the written determination by the Committee of any such occurrence of Disability.

(iii) " **Good Reason** " means "good reason" (or a term of like import) as defined under the Participant's employment, consulting and/or severance agreement with the Company or an Affiliate or, in the absence of such an agreement or definition, shall mean (A) a material diminution in the Participant's base salary or (B) the relocation of the geographic location of the Participant's principal place of employment by more than 50 miles from the location of the Participant's principal place of employment as of the Grant Date; provided that, in the case of the Participant's assertion of Good Reason, (1) the condition described in the foregoing clauses must have arisen without the Participant's consent; (2) the Participant must provide written notice to the Company of such condition in accordance with this Agreement within 45 days of the initial existence of the condition; (3) the condition specified in such notice must remain uncorrected for 30 days after receipt of such notice by the Company; and (4) the date of termination of the Participant's employment or other service relationship with the Company or an Affiliate must occur within 90 days after such notice is received by the Company.

6. **Non-Transferability** . During the lifetime of the Participant, the Option may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the Shares underlying the Option have been exercised and issued, and all restrictions applicable to such Shares have lapsed. Neither the Option nor any interest or right therein shall be liable for the debts, contracts or engagements of the Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means, whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

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

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

8. **Rights as a Stockholder**. The Participant shall have no rights as a stockholder of the Company with respect to any shares of Stock covered by the Option unless and until the Participant has become the holder of record of such shares of Stock, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of any such shares of Stock, except as otherwise specifically provided for in the Plan or this Agreement.

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

10. **No Right to Continued Employment, Service or Awards**. Nothing in the adoption of the Plan, nor the award of the Option thereunder pursuant to this Agreement, shall confer upon the Participant the right to continued employment by, or a continued service relationship with, the Company or any Affiliate, or any other entity, or affect in any way the right of the Company or any such Affiliate, or any other entity to terminate such employment or other service relationship at any time. The grant of the Option is a one-time benefit and does not create any contractual or other right to receive a grant of Awards or benefits in lieu of Awards in the future. Any future Awards will be granted at the sole discretion of the Company.

11. **Lock-Up Period**. If so requested by the Company or any representative of the underwriters in connection with an underwritten public offering of the Company's securities (a "***Public Offering***"), the Participant (or other holder) shall not sell or otherwise transfer or distribute any Stock or other securities of the Company (or any securities convertible or exchangeable or exercisable for Stock or engage in any hedging transactions relating to Stock) during the period beginning 14 days prior to the expected date of the "pricing" of such Public Offering and continuing for the 180-day period (or such other period as may be requested in writing by such underwriters and agreed to in writing by the Company) following the effective date of such Public Offering. The Company may impose stop-transfer instructions with respect to securities subject to the foregoing restrictions until the end of such period.

12. **Legal and Equitable Remedies** . The Participant acknowledges that a violation or attempted breach of any of the Participant's covenants and agreements in this Agreement will cause such damage as will be irreparable, the exact amount of which would be difficult to ascertain and for which there will be no adequate remedy at law, and accordingly, the parties hereto agree that the Company and its Affiliates shall be entitled as a matter of right to an injunction issued by any court of competent jurisdiction, restraining the Participant or the affiliates, partners or agents of the Participant from such breach or attempted violation of such covenants and agreements, as well as to recover from the Participant any and all costs and expenses sustained or incurred by the Company or any Affiliate in obtaining such an injunction, including, without limitation, reasonable attorneys' fees. The parties to this Agreement agree that no bond or other security shall be required in connection with such injunction. Any exercise by either of the parties to this Agreement of its rights pursuant to this Section 12 shall be cumulative and in addition to any other remedies to which such party may be entitled.

13. **Notices** . All notices and other communications under this Agreement shall be in writing and shall be delivered to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to the Company, unless otherwise designated by the Company in a written notice to the Participant (or other holder):

Select Energy Services, Inc.
Attn: Senior Vice President, General Counsel and Secretary
515 Post Oak Blvd., Suite 200
Houston, Texas 77027

If to the Participant, to the address for the Participant indicated on the signature page to this Agreement (as such address may be updated by the Participant providing written notice to such effect to the Company).

Any notice that is delivered personally or by overnight courier or telecopier in the manner provided herein shall be deemed to have been duly given to the Participant when it is mailed by the Company or, if such notice is not mailed to the Participant, upon receipt by the Participant. Any notice that is addressed and mailed in the manner herein provided shall be conclusively presumed to have been given to the party to whom it is addressed at the close of business, local time of the recipient, on the fourth day after the day it is so placed in the mail.

14. **Consent to Electronic Delivery; Electronic Signature** . In lieu of receiving documents in paper format, the Participant agrees, to the fullest extent permitted by law, to accept electronic delivery of any documents that the Company may be required to deliver (including, but not limited to, prospectuses, prospectus supplements, grant or award notifications and agreements, account statements, annual and quarterly reports and all other forms of communications) in connection with this and any other Award made or offered by the Company. Electronic delivery may be via a Company electronic mail system or by reference to a location on a Company intranet to which the Participant has access. The Participant hereby consents to any and all procedures the Company has

established or may establish for an electronic signature system for delivery and acceptance of any such documents that the Company may be required to deliver, and agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his or her manual signature.

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

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

17. **Severability and Waiver**. If a court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then the invalidity or unenforceability of such provision shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect. Waiver by any party of any breach of this Agreement or failure to exercise any right hereunder shall not be deemed to be a waiver of any other breach or right. The failure of any party to take action by reason of such breach or to exercise any such right shall not deprive the party of the right to take action at any time while or after such breach or condition giving rise to such rights continues.

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

19. **Governing Law**. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED THEREIN, EXCLUSIVE OF THE CONFLICT OF LAWS PROVISIONS OF DELAWARE LAW.

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

21. **Headings**. Headings are for convenience only and are not deemed to be part of this Agreement.

22. **Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall constitute an original and all of which together shall constitute one instrument. Delivery of an executed counterpart of this Agreement by facsimile or portable document format (.pdf) attachment to electronic mail shall be effective as delivery of a manually executed counterpart of this Agreement.

23. **Section 409A**. Notwithstanding anything herein or in the Plan to the contrary, the Option is intended to be exempt from the applicable requirements of the Nonqualified Deferred Compensation Rules and this Agreement shall be construed and interpreted in accordance with such intent. Notwithstanding the foregoing, the Company and its Affiliates make no representations that the Option provided under this Agreement is exempt from or compliant with the Nonqualified Deferred Compensation Rules and in no event shall the Company or any Affiliate be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with the Nonqualified Deferred Compensation Rules.

[Signature Page Follows]

IN WITNESS WHEREOF , the Company has caused this Agreement to be executed in its name by its duly authorized officer on the date first above written, and the Participant has hereunto set his hand on such date.

COMPANY:

Select Energy Services, Inc.

By: _____
Name: Holli Ladhani
Its: President and Chief Executive Officer

PARTICIPANT:

Address: _____

SSN: _____

EXHIBIT A

STOCK OPTION EXERCISE NOTICE

Select Energy Services, Inc.
Attn: Senior Vice President, General Counsel and Secretary
515 Post Oak Blvd., Suite 200
Houston, Texas 77027

I hereby elect to exercise the Option granted in the Stock Option Agreement described below (the “*Agreement*”) pursuant to the Select Energy Services, Inc. 2016 Equity Incentive Plan (the “*Plan*”) of Select Energy Services, Inc., a Delaware corporation (the “*Company*”) with respect to the number of Shares (terms capitalized but not defined in this notice are used as defined in the Agreement or the Plan, as applicable):

Grant Date: _____

Participant: _____

Number of Shares for which the Option will be exercised: _____

Exercise Price:

Per Share: \$ _____

Total: \$ _____

In connection with this exercise, and in order to fulfill the requirements of the Agreement and the Plan, I represent and warrant to and agree with the Company as follows:

1. **Securities Law Matters.** I understand that the Company and its officers are relying upon the accuracy and completeness of the information set forth herein in complying with their obligations under applicable securities laws in connection with the sale to me of the Shares for which the Option is being exercised and that the Company is not required to sell such Shares to me unless it can do so in compliance with all applicable securities laws.

2. **Survival Of Covenants.** I understand and agree that the provisions of the Plan and the Agreement will survive the issuance of Shares to me and that I will continue to be bound thereby.

[Signature Page Follows]

THIS STOCK OPTION EXERCISE NOTICE is executed as of _____, 20__.

PARTICIPANT

Signature: _____
Print name: _____
Date: _____
Address: _____
SSN: _____

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (“ *Agreement* ”) is made by and between Rockwater Energy Solutions, Inc. (the “ *Company* ”), and Holli C. Nichols (“ *Executive* ”).

WITNESSETH:

WHEREAS , the Company desires to employ Executive on the terms and conditions, and for the consideration, hereinafter set forth and Executive desires to be employed by the Company on such terms and conditions and for such consideration.

NOW, THEREFORE , for and in consideration of the mutual promises, covenants and obligations contained herein, the Company and Executive agree as follows:

ARTICLE I
DEFINITIONS

In addition to the terms defined in the body of this Agreement, for purposes of this Agreement, the following capitalized words shall have the meanings indicated below:

1.1 “ *Acquiring Person* ” shall mean any individual, entity or group (within the meaning of section 13(d)(3) or 14(d)(2) of the Exchange Act) other than the Initial Stockholders.

1.2 “ *Board* ” shall mean the Board of Directors of the Company.

1.3 “ *Cause* ” shall mean a determination by the Company that Executive (a) has engaged in gross negligence or willful misconduct in the performance of Executive’s duties with respect to the Company or any of its affiliates, (b) has materially breached any material provision of this Agreement or any written agreement or corporate policy or code of conduct established by the Company or any of its affiliates, (c) has willfully engaged in conduct that is materially injurious to the Company or any of its affiliates, or (d) has been convicted of, pleaded no contest to or received adjudicated probation or deferred adjudication in connection with a felony involving fraud, dishonesty or moral turpitude (or a crime of similar import in a foreign jurisdiction).

1.4 “ *Change in Control* ” shall mean, as applicable:

(a) Prior to the common stock of the Company becoming Public Stock (including any transaction pursuant to which the common stock of the Company first becomes Public Stock), a “Change in Control” of the Company shall mean, in one transaction or a series of related transactions, (A) a Corporate Transaction or a sale of capital stock of the Company by stockholders of the Company (other than in connection with an Initial Public Offering) with the result immediately after such Corporate Transaction or sale that a single Acquiring Person, together with its affiliates, owns, directly or indirectly, either a greater number of shares of common stock of the Company (calculated on a fully-diluted basis assuming that all shares of capital stock of the Company that are convertible into common stock of the Company at the then applicable conversion

ratio are so converted) than the Initial Stockholders then own or, in the context of a Corporate Transaction in which the Company is not the surviving entity, more voting stock generally entitled to elect directors of such surviving entity (or in the case of a triangular merger, of the parent entity of such surviving entity) than the Initial Stockholders then own, or (B) the Company sells, leases or exchanges all or substantially all of its assets to any Acquiring Person or the dissolution or liquidation of the Company other than, in either case, pursuant to a transaction that complies with clause (b)(iii)(1) of this definition.

(b) After the common stock of the Company becomes Public Stock, a “Change in Control” of the Company shall mean:

(i) The acquisition by any Acquiring Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of fifty percent (50%) or more of either (1) the then outstanding shares of common stock of the Company (the “**Outstanding Company Common Stock**”) or (2) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “**Outstanding Company Voting Securities**”); provided, however, that for purposes of this subsection (i) any acquisition by any Acquiring Person pursuant to a transaction which complies with clause (b)(iii)(1) of this definition shall not constitute a Change in Control; or

(ii) Individuals, who, immediately following the time when the common stock of the Company becomes Public Stock, constitute the Board (the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the time when the common stock of the Company becomes Public Stock whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered for purposes of this definition as though such individual was a member of the Incumbent Board, but excluding, for these purposes, any such individual whose initial assumption of office as a director occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of an Acquiring Person other than the Board; or

(iii) The consummation of a Corporate Transaction unless, following such Corporate Transaction, (1) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the Company (if it be the ultimate parent entity following such Corporate Transaction) or the corporation resulting from such Corporate Transaction (or the ultimate parent entity which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries), and (2) at least a majority of the members of the board of directors of the ultimate parent entity resulting from such Corporate Transaction were members of the Board at the time of the

execution of the initial agreement, or of the action of the Board, providing for such Corporate Transaction. For purposes of the foregoing sentence, only (A) shares of common stock and voting securities of the Company, assuming the Company is the ultimate parent entity following such Corporate Transaction, held by a beneficial owner immediately prior to such Corporate Transaction and any additional shares of common stock and voting securities of the Company issuable to such beneficial owner in connection with such Corporate Transaction in respect of the shares of common stock and voting securities of the Company held by such beneficial owner immediately prior to such Corporate Transaction, or (B) shares of common stock and voting securities of the ultimate parent entity following such Corporate Transaction, assuming the Company is not the ultimate parent entity following such Corporate Transaction, issuable to a beneficial owner in respect of the shares of common stock and voting securities of the Company held by such beneficial owner immediately prior to such Corporate Transaction, in either case shall be included in determining whether or not the fifty percent (50%) ownership test in this subsection (iii) has been satisfied.

1.5 “ **Code** ” shall mean the Internal Revenue Code of 1986, as amended.

1.6 “ **Corporate Transaction** ” shall mean a reorganization, merger or consolidation of the Company, any of its subsidiaries or sale, lease or other disposition of all or substantially all of the assets of the Company and its subsidiaries, taken as a whole (other than to an entity wholly owned, directly or indirectly, by the Company) or the liquidation or dissolution of the Company.

1.7 “ **Date of Termination** ” shall mean the date Executive’s employment with the Company is considered to have terminated pursuant to Section 3.5.

1.8 “ **Exchange Act** ” shall mean the Securities Exchange Act of 1934, as amended.

1.9 “ **Good Reason** ” shall mean the occurrence of any of the following events:

(a) a material diminution in Executive’s Base Salary, other than as part of one or more decreases that shall not exceed, in the aggregate, more than 10% of Executive’s Base Salary as in effect on the Effective Date and that are applied similarly to all of the Company’s executive officers; or

(b) Executive ceases to be employed in the position of Chief Financial Officer of the Company; or

(c) the involuntary relocation of the geographic location of Executive’s principal place of employment by more than 35 miles from the location of Executive’s principal place of employment as of the Effective Date.

Notwithstanding the foregoing provisions of this Section 1.9 or any other provision in this Agreement to the contrary, any assertion by Executive of a termination of employment for “ **Good Reason** ” shall not be effective unless all of the following requirements are satisfied: (i) the condition described in Section 1.9(a), (b) or (c) giving rise to Executive’s termination of employment must have arisen without Executive’s consent; (ii) Executive must provide written notice to the Company of such condition in accordance with Section 11.1 within 45 days of the

initial existence of the condition; (iii) the condition specified in such notice must remain uncorrected for 30 days after receipt of such notice by the Company; and (iv) the date of Executive's termination of employment must occur within 135 days after the initial existence of the condition specified in such notice.

1.10 " Initial Public Offering " shall mean the initial underwritten public offering and sale of common stock of the Company on a firm commitment basis after which the common stock of the Company is listed for trading on a national securities exchange registered under section 6(a) of the Exchange Act.

1.11 " Initial Stockholders " shall mean the stockholders of the Company as of the date of the Stockholders Agreement and their respective affiliates and Persons who are permitted transferees in accordance with the terms of the Stockholders Agreement.

1.12 " Notice of Termination " shall mean a written notice delivered to the other party indicating the specific termination provision in this Agreement relied upon for termination of Executive's employment and the intended Date of Termination and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

1.13 " Person " shall mean any natural person, limited liability company, corporation, limited partnership, general partnership, joint stock company, joint venture, association, company, trust, bank trust company, land trust, business trust, or other organization, whether or not a legal entity, and any government or agency or political subdivision thereof.

1.14 " Public Stock " shall mean shares of capital stock (including depositary receipts or depositary shares related to common stock or similar ordinary shares) of any Person that are registered under section 12 of the Exchange Act and listed for trading on a national securities exchange registered under section 6(a) of the Exchange Act.

1.15 " Section 409A Payment Date " shall mean the earlier of (a) the date of Executive's death or (b) the date that is six months after the date of termination of Executive's employment with the Company.

1.16 " Severance Multiple " shall mean two; provided, however, that the Severance Multiple shall mean three if Executive's employment hereunder shall terminate on or within two years after the occurrence of a Change in Control.

1.17 " Stockholders Agreement " shall mean that certain Stockholders Agreement dated as of June 1, 2011 among the Company and certain of its stockholders, as the same may be amended or restated from time to time.

ARTICLE II

EMPLOYMENT AND DUTIES

2.1 Employment; Effective Date. The Company agrees to employ Executive, and Executive agrees to be employed by the Company, pursuant to the terms of this Agreement beginning as of June 1, 2011 (the "**Effective Date**") and continuing for the period of time set forth

in Article III of this Agreement, subject to the terms and conditions of this Agreement. As of the Effective Date, the independent contractor relationship established pursuant to the following Consulting Agreements shall be terminated: (a) that certain Consulting Agreement dated March 14, 2011, by and between Executive and EnerMAX Services Limited Partnership; (b) that certain Consulting Agreement dated March 14, 2011, by and between Executive and Benchmark Performance Group, Inc.; (c) that certain Consulting Agreement dated March 14, 2011, by and between Executive and Reef Services Holdings, Inc.; and (d) that certain Consulting Agreement dated March 14, 2011, by and between Executive and Red Oak Water Transfer, Inc. The provisions of the preceding sentence shall be for the benefit of, and enforceable by, each of the parties to each such Consulting Agreement.

2.2 Positions. From and after the Effective Date, the Company shall employ Executive in the position of Chief Financial Officer of the Company or in such other position or positions as the parties mutually may agree.

2.3 Duties and Services. Executive agrees to serve in the position(s) referred to in Section 2.2 and to perform diligently and to the best of Executive's abilities the duties and services appertaining to such position(s), as well as such additional duties and services appropriate to such position(s) which the parties mutually may agree upon from time to time.

2.4 Other Interests. Executive agrees, during the period of Executive's employment by the Company, to devote substantially all of Executive's business time, energy and best efforts to the business and affairs of the Company and its affiliates. Notwithstanding the foregoing, the parties acknowledge and agree that Executive may (a) engage in and manage Executive's passive personal investments, (b) engage in charitable and civic activities, (c) serve on the board of directors of up to two public companies and (d) serve on the board of directors or similar governing body of those entities set forth on Appendix A hereto and any other entity otherwise approved by the Board (or a committee thereof); provided, however, that such activities set forth in Section 2.4(a), (b), (c) and (d) shall be permitted so long as such activities do not conflict with the business and affairs of the Company or interfere with Executive's performance of Executive's duties hereunder.

2.5 Duty of Loyalty. Executive acknowledges and agrees that Executive owes a fiduciary duty of loyalty, fidelity and allegiance to act in the best interests of the Company and to do no act that would injure the business, interests, or reputation of the Company or any of its affiliates. In keeping with these duties, Executive shall make full disclosure to the Company of all business opportunities pertaining to the Company's business and shall not appropriate for Executive's own benefit business opportunities concerning the subject matter of the fiduciary relationship.

ARTICLE III

TERM AND TERMINATION OF EMPLOYMENT

3.1 Term. Unless sooner terminated pursuant to other provisions hereof, the Company agrees to employ Executive for the period beginning on the Effective Date and ending on the second anniversary of the Effective Date (the "**Initial Expiration Date**"); provided, however, that beginning on the Initial Expiration Date, and on each anniversary of the Initial Expiration Date

thereafter, if Executive's employment under this Agreement has not been terminated pursuant to Sections 3.2 or 3.3, then said term of employment shall automatically be extended for an additional one-year period unless on or before the date that is 60 days prior to the first day of any such extension period either party gives written notice to the other that no such automatic extension shall occur, in which case the term of employment shall terminate as of the Initial Expiration Date or the anniversary of the Initial Expiration Date immediately following the giving of such notice, as applicable.

3.2 Company's Right to Terminate. Notwithstanding the provisions of Section 3.1, the Company may terminate Executive's employment under this Agreement at any time for any of the following reasons by providing Executive with a Notice of Termination:

(a) upon Executive being unable to perform Executive's duties or fulfill Executive's obligations under this Agreement by reason of any physical or mental impairment for a continuous period of not less than six months as determined by the Company and certified in writing by a competent medical physician selected by the Company; or

(b) Executive's death; or

(c) for Cause ; or

(d) for any other reason whatsoever or for no reason at all, in the sole discretion of the Company .

3.3 Executive's Right to Terminate. Notwithstanding the provisions of Section 3.1, Executive shall have the right to terminate Executive's employment under this Agreement for Good Reason or for any other reason whatsoever or for no reason at all, in the sole discretion of Executive, by providing the Company with a Notice of Termination. In the case of a termination of employment by Executive pursuant to this Section 3.3, the Date of Termination specified in the Notice of Termination shall not be less than 15 nor more than 60 days from the date such Notice of Termination is given, and the Company may require a Date of Termination earlier than that specified in the Notice of Termination (and, if such earlier Date of Termination is so required, then (a) it shall not change the basis for Executive's termination nor be construed or interpreted as a termination of employment pursuant to Section 3.1 or Section 3.2, (b) Executive shall receive her Base Salary through the Date of Termination that was specified by Executive in the Notice of Termination (the "***Specified Date of Termination***"), (c) any bonus that would have been payable to Executive pursuant to Section 7.1(a)(vi) or Section 7.1(b)(iii)(A) if Executive had continued in the employment of the Company through the Specified Date of Termination shall be paid and, in the case of the bonus described in Section 7.1(b)(iii)(A), prorated as provided in such Sections but determined as if Executive had continued in the employment of the Company through the Specified Date of Termination, and (d) the Company shall cause all stock options and other equity-based incentive awards, if any, awarded to Executive by the Company that become vested based solely on continued employment to have at least the same vesting status as of the Date of Termination as Executive would have achieved under the terms of such awards had Executive remained continuously employed by the Company until the Specified Date of Termination).

3.4 Deemed Resignations . Unless otherwise agreed to in writing by the Company and Executive prior to the termination of Executive's employment, any termination of Executive's employment shall constitute (a) an automatic resignation of Executive as an officer of the Company and each affiliate of the Company and (b) an automatic resignation of Executive from the Board (if applicable), from the board of directors of any affiliate of the Company and from the board of directors or similar governing body of any corporation, limited liability entity or other entity in which the Company or any affiliate holds an equity interest and with respect to which board or similar governing body Executive serves as the Company's or such affiliate's designee or other representative.

3.5 Meaning of Termination of Employment . For all purposes of this Agreement, Executive shall be considered to have terminated employment with the Company when Executive incurs a "*separation from service*" with the Company within the meaning of section 409A(a)(2)(A) (i) of the Code and applicable administrative guidance issued thereunder; provided, however, that whether such a separation from service has occurred shall be determined based upon a reasonably anticipated permanent reduction in the level of bona fide services to be performed to no more than 49% of the average level of bona fide services provided in the immediately preceding 36 months.

ARTICLE IV COMPENSATION AND BENEFITS

4.1 Base Salary . During the term of this Agreement, Executive shall receive a minimum, annualized base salary of \$425,000 (the "*Base Salary*"). Executive's annualized base salary shall be reviewed at least annually by the Company and, in the sole discretion of the Company, such annualized base salary may be increased (but not decreased) effective as of any date determined by the Company; provided, however, the Company may decrease Executive's Base Salary at any time and from time to time so long as such decreases do not exceed, in the aggregate, more than 10% of Executive's Base Salary as in effect on the Effective Date and such decreases are part of similar reductions applicable to all of the Company's executive officers. Executive's Base Salary shall be paid in substantially equal installments in accordance with the Company's standard policy regarding payment of compensation to executives but no less frequently than monthly.

4.2 Bonuses . For calendar year 2011, Executive shall receive such annual cash incentive bonus as may be determined by the Board in its reasonable discretion; provided, however, that (a) the target (expected value) amount of Executive's 2011 annual incentive bonus shall be 64% of Executive's Base Salary, and (b) Executive's annual incentive bonus for 2011 may range between 0% and 80% of Executive's Base Salary, depending on Executive's performance for calendar year 2011. For calendar years after 2011, Executive shall be eligible to participate in the Company's annual cash incentive bonus program which will provide for a potential annual, calendar-year bonus (the "*Annual Bonus*") based on criteria determined in the reasonable discretion of the Board at or near the beginning of each such year; provided, however, that it is expected (subject to and contingent upon Board approval each year at the time such criteria are determined by the Board) that (a) the target (expected value) amount of Executive's annual incentive bonus for each such calendar year shall be 80% of Executive's Base Salary earned for such calendar year, and (b) Executive's annual incentive bonus for each such calendar year will

have an entry and maximum range, depending on achievement of entry, target and stretch goals, with zero to be earned if performance falls below entry goals, target (expected value) to be earned if target performance is achieved, maximum to be earned if performance meets or exceeds stretch goals, and pro-rated amounts earned if performance falls between entry, target and maximum goals. The metrics to be used to calculate the actual target annual incentive bonus and range of annual incentive bonus opportunity shall be determined in the reasonable discretion of the Board at or near the beginning of the calendar year for each year after 2011. The Company shall pay each Annual Bonus, if any, with respect to a calendar year (the “ **Bonus Year** ”) on or before March 15 of the year following the Bonus Year; provided, however, that if audited financial statements for the Company for the Bonus Year are not completed on or before March 5 of the year following the Bonus Year, then the Annual Bonus, if any, for the Bonus Year shall be paid within 10 days after the completion of such audited financial statements but in no event shall any such Annual Bonus be paid after June 30 of the year following the Bonus Year. Except as otherwise provided in Section 7.1, Executive will be entitled to receive payment of an Annual Bonus for a Bonus Year only if Executive is employed by the Company on December 31 of such Bonus Year.

4.3 Other Benefits . During Executive’s employment hereunder, Executive shall be eligible to participate in all benefit plans and programs of the Company, including improvements or modifications of the same, which are now, or may hereafter be, available to other senior executives of the Company. The Company shall not, however, by reason of this Section 4.3, be obligated to institute, maintain, or refrain from changing, amending, or discontinuing, any such benefit plan or program, so long as such changes are similarly applicable to other senior executives generally.

4.4 Expenses . The Company shall reimburse Executive for all reasonable business expenses incurred by Executive in performing services hereunder, including all expenses of travel and living expenses while away from home on business or at the request of and in the service of the Company; provided, in each case, that such expenses are incurred and accounted for in accordance with the policies and procedures established by the Company. Any such reimbursement of expenses shall be made by the Company upon or as soon as practicable following receipt of supporting documentation reasonably satisfactory to the Company (but in any event not later than the close of Executive’s taxable year following the taxable year in which the expense is incurred by Executive); provided, however, that, upon Executive’s termination of employment with the Company, in no event shall any additional reimbursement be made prior to the Section 409A Payment Date to the extent such payment delay is required under section 409A(a)(2)(B)(i) of the Code. In no event shall any reimbursement be made to Executive for such fees and expenses after the later of (a) the first anniversary of the date of Executive’s death or (b) the date that is five years after the date of Executive’s termination of employment with the Company (other than by reason of Executive’s death).

4.5 Vacation and Sick Leave . During Executive’s employment hereunder, Executive shall be entitled to (a) sick leave in accordance with the Company’s policies applicable to its senior executives and (b) four weeks paid vacation each calendar year (none of which may be carried forward to a succeeding year).

4.6 Offices . Subject to Articles II, III, and IV hereof, and provided Executive is employed in the position of Chief Financial Officer of the Company, Executive agrees to serve

without additional compensation, if elected or appointed thereto, as a director of the Company or any of the Company's affiliates and as a member of any committees of the board of directors of any such entities, and in one or more executive positions of any of the Company's affiliates.

ARTICLE V

PROTECTION OF INFORMATION

5.1 Disclosure to and Property of the Company. For purposes of this Article V, the term “ *the Company* ” shall include the Company and any of its affiliates, and any reference to “ *employment* ” or similar terms shall include a director and/or consulting relationship. All information, trade secrets, designs, ideas, concepts, improvements, product developments, discoveries and inventions, whether patentable or not, that are conceived, made, developed, disclosed to or acquired by Executive, individually or in conjunction with others, during the period of Executive's employment by the Company (whether during business hours or otherwise and whether on the Company's premises or otherwise) that relate to the Company's or any of its affiliates' businesses, trade secrets, products or services (including, without limitation, all such information relating to corporate opportunities, strategies, business plans, product specifications, compositions, manufacturing and distribution methods and processes, research, financial and sales data, pricing terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or their requirements, the identity of key contacts within the customer's organizations or within the organization of acquisition prospects, or production, marketing and merchandising techniques, prospective names and marks) and all writings or materials of any type embodying any of such information, ideas, concepts, improvements, discoveries, inventions and other similar forms of expression (collectively, “ *Confidential Information* ”) shall be disclosed to the Company and Executive acknowledges and agrees that Executive shall have no right, title, interest or claim to any Confidential Information. Moreover, all documents, videotapes, written presentations, brochures, drawings, memoranda, notes, records, files, correspondence, manuals, models, specifications, computer programs, E-mail, voice mail, electronic databases, maps, drawings, architectural renditions, models and all other writings or materials of any type embodying any of such information, ideas, concepts, improvements, discoveries, inventions and other similar forms of expression (collectively, “ *Work Product* ”) are and shall be the sole and exclusive property of the Company (or its affiliates). Executive agrees to perform all actions reasonably requested by the Company or its affiliates to establish and confirm such exclusive ownership. Upon termination of Executive's employment with the Company, for any reason, Executive promptly shall deliver such Confidential Information and Work Product, and all copies thereof, to the Company. Notwithstanding the preceding provisions of this Section 5.1, the term “ *Confidential Information* ” shall not include any information, ideas, concepts, improvements, discoveries, inventions and other similar forms of expression that (a) are generally known or available to the public other than as a result of a disclosure by Executive or anyone to whom Executive transmits such information, ideas, concepts, improvements, discoveries, inventions or other similar forms of expression, (b) were known by Executive prior to March 14, 2011, or (c) become known to Executive after the Date of Termination from a source who is not bound by a confidentiality agreement or other obligation of secrecy with the Company with respect to such matters.

5.2 Disclosure to Executive. The Company shall disclose to Executive and place Executive in a position to have access to or develop Confidential Information and Work Product of the Company (or its affiliates); and shall entrust Executive with business opportunities of the

Company (or its affiliates); and shall place Executive in a position to develop business good will on behalf of the Company (or its affiliates).

5.3 No Unauthorized Use or Disclosure. Subject to the provisions of Section 5.5, Executive agrees to preserve and protect the confidentiality of all Confidential Information and Work Product of the Company and its affiliates. Executive agrees that Executive will not, at any time during or after Executive's employment with the Company, make any unauthorized disclosure of, and Executive shall not remove from the Company premises, Confidential Information or Work Product of the Company or its affiliates, or make any use thereof, except, in each case, in the carrying out of Executive's responsibilities hereunder. Subject to the provisions of Section 5.5, Executive shall use all reasonable efforts to cause all persons or entities to whom any Confidential Information shall be disclosed by Executive hereunder to preserve and protect the confidentiality of such Confidential Information. Executive shall have no obligation hereunder to keep confidential any Confidential Information if and to the extent disclosure thereof is specifically required by law; provided, however, that in the event disclosure is required by applicable law, Executive shall provide the Company with prompt notice of such requirement prior to making any such disclosure, so that the Company may seek an appropriate protective order. At the request of the Company at any time, Executive agrees to deliver to the Company all Confidential Information that Executive may possess or control. Executive agrees that all Confidential Information of the Company (whether now or hereafter existing) conceived, discovered or made by Executive during the period of Executive's employment by the Company exclusively belongs to the Company (and not to Executive), and upon request by the Company for specified Confidential Information, Executive will promptly disclose such Confidential Information to the Company and perform all actions reasonably requested by the Company to establish and confirm such exclusive ownership. Affiliates of the Company shall be third party beneficiaries of Executive's obligations under this Article V. As a result of Executive's employment by the Company, Executive may also from time to time have access to, or knowledge of, Confidential Information or Work Product of third parties, such as customers, suppliers, partners, joint venturers, and the like, of the Company and its affiliates. Subject to the provisions of Section 5.5, Executive also agrees to preserve and protect the confidentiality of such third party Confidential Information and Work Product.

5.4 Ownership by the Company. If, during Executive's employment by the Company, Executive creates any work of authorship fixed in any tangible medium of expression that is the subject matter of copyright (such as videotapes, written presentations, or acquisitions, computer programs, E-mail, voice mail, electronic databases, drawings, maps, architectural renditions, models, manuals, brochures, or the like) relating to the Company's business, products, or services, whether such work is created solely by Executive or jointly with others (whether during business hours or otherwise and whether on the Company's premises or otherwise), including any Work Product, the Company shall be deemed the author of such work if the work is prepared by Executive in the scope of Executive's employment; or, if the work relating to the Company's business, products, or services is not prepared by Executive within the scope of Executive's employment but is specially ordered by the Company as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, or as an instructional text, then the work shall be considered to be work made for hire and the Company shall be the author of the work. If the work relating to the Company's business, products, or services is neither prepared by Executive within the scope of Executive's employment

nor a work specially ordered that is deemed to be a work made for hire during Executive's employment by the Company, then Executive hereby agrees to assign, and by these presents does assign, to the Company all of Executive's worldwide right, title, and interest in and to such work and all rights of copyright therein.

5.5 Assistance by Executive. During the period of Executive's employment by the Company, Executive shall, at the expense of the Company or its affiliates, assist the Company and its nominee, at any time, in the protection of the Company's or its affiliates' worldwide right, title and interest in and to Confidential Information and Work Product and the execution of all formal assignment documents requested by the Company or its nominee(s) and the execution of all lawful oaths and applications for patents and registration of copyright in the United States and foreign countries. After Executive's employment with the Company terminates, at the request from time to time and expense of the Company or its affiliates, Executive shall assist the Company or its nominee(s) in the protection of the Company's or its affiliates' worldwide right, title and interest in and to Confidential Information and Work Product and the execution of all formal assignment documents requested by the Company or its nominee and the execution of all lawful oaths and applications for patents and registration of copyright in the United States and foreign countries; provided, however, that such assistance from Executive after Executive's employment with the Company terminates shall not require Executive to expend unreasonable periods of time or unreasonably interfere with any obligations Executive may have to provide services to other persons or entities.

5.6 Remedies. Executive acknowledges that money damages would not be a sufficient remedy for any breach of this Article V by Executive, and the Company or its affiliates shall be entitled to enforce the provisions of this Article V by terminating payments then owing to Executive under this Agreement or otherwise and to specific performance and injunctive relief as remedies for such breach or any threatened breach. Such remedies shall not be deemed the exclusive remedies for a breach of this Article V but shall be in addition to all remedies available at law or in equity, including the recovery of damages from Executive and Executive's agents. However, if it is determined that Executive has not committed a breach of this Article V, then the Company shall resume the payments and benefits due under this Agreement and pay to Executive and Executive's spouse, if applicable, all payments and benefits that had been suspended pending such determination.

ARTICLE VI

STATEMENTS CONCERNING THE COMPANY AND EXECUTIVE

6.1 Statements Concerning the Company. Executive shall refrain, both during and after the termination of the employment relationship, from publishing any oral or written statements about the Company, any of its affiliates or any of the Company's or such affiliates' directors, officers, employees, consultants, agents or representatives that (a) are slanderous, libelous or defamatory, (b) disclose private information or Confidential Information of the Company, any of its affiliates or any of the Company's or any such affiliates' business affairs, directors, officers, employees, consultants, agents or representatives, or (c) place the Company, any of its affiliates, or any of the Company's or any such affiliates' directors, officers, employees, consultants, agents or representatives in a false light before the public. A violation or threatened violation of this prohibition may be enjoined by the courts. The rights afforded the Company and

its affiliates under this provision are in addition to any and all rights and remedies otherwise afforded by law.

6.2 Statements Concerning Executive. The Company shall refrain, both during and after the termination of the employment relationship, from publishing any oral or written statements about Executive that (a) are slanderous, libelous or defamatory, (b) disclose private or confidential information about Executive or Executive's business affairs, or (c) place Executive in a false light before the public. A violation or threatened violation of this prohibition may be enjoined by the courts. The rights afforded Executive under this provision are in addition to any and all rights and remedies otherwise afforded by law.

ARTICLE VII

EFFECT OF TERMINATION OF EMPLOYMENT ON COMPENSATION

7.1 Effect of Termination of Employment on Compensation.

(a) If Executive's employment hereunder shall terminate at the expiration of the term provided in Section 3.1 because Executive provided written notice of non-renewal to the Company, for any reason described in Section 3.2(a), 3.2(b), or 3.2(c) or pursuant to Executive's resignation for other than Good Reason, then all compensation and all benefits to Executive hereunder shall terminate contemporaneously with such termination of employment, except that Executive's equity incentive awards shall be governed by the terms thereof (subject to clause (v) below) and Executive shall be entitled to (i) payment of all accrued and unpaid Base Salary to the Date of Termination (or, to the extent specifically provided in Section 3.3, to the Specified Date of Termination), (ii) reimbursement for all incurred but unreimbursed expenses for which Executive is entitled to reimbursement in accordance with Section 4.4, (iii) payment of all accrued and unused paid vacation for the calendar year in which the Date of Termination occurs, (iv) benefits to which Executive is entitled under the terms of any applicable benefit plan or program, (v) if such termination is a result of Executive's resignation for other than Good Reason and if the Company required a Date of Termination prior to the Specified Date of Termination pursuant to Section 3.3, then the Company shall cause all stock options and other equity-based incentive awards, if any, awarded to Executive by the Company that become vested based solely on continued employment to have the same vesting status as of the Date of Termination as Executive would have achieved under the terms of such awards had Executive remained continuously employed by the Company until the Specified Date of Termination, and (vi) if, on the Date of Termination, the Company does not have a right to terminate Executive's employment under Section 3.2(c), any unpaid Annual Bonus for the calendar year ending on or prior to the Date of Termination (or, to the extent specifically provided in Section 3.3, ending on or prior to the Specified Date of Termination), which amount shall be payable in a lump-sum on the date such annual bonuses are paid to executives who have continued employment with the Company (provided, however, that if Executive is a specified employee (as such term is defined in section 409A of the Code and as determined by the Company in accordance with any method permitted under section 409A of the Code (a "*Specified Employee*")) and the payment of the amount described in this clause (vi) would be subject to additional taxes and interest under section 409A of the Code because the timing of such payment is not

delayed as provided in section 409A(a)(2)(B)(i) of the Code and the regulations thereunder, then such amount (together with interest on a non-compounded basis, from the date such payment would have been made had this payment delay not applied to the actual date of payment, at the prime rate of interest announced by Wells Fargo Bank, National Association (or any successor thereto) at its principal office in Charlotte, North Carolina on the date of Executive's termination of employment (or the first business day following such date if such termination does not occur on a business day) (the "**Applicable Rate**")) shall be paid within five business days after the Section 409A Payment Date).

(b) If Executive's employment hereunder shall terminate at expiration of the term provided in Section 3.1 because the Company provided written notice of non-renewal to Executive, pursuant to Executive's resignation for Good Reason or by action of the Company pursuant to Section 3.2 for any reason other than those encompassed by Section 3.2(a), 3.2(b), or 3.2(c), then all compensation and all benefits to Executive hereunder shall terminate contemporaneously with such termination of employment, except that Executive's equity incentive awards shall be governed by the terms thereof and (i) Executive shall be entitled to receive the compensation and benefits described in clauses (i) through (iv) of Section 7.1(a), (ii) if, on the Date of Termination, the Company does not have a right to terminate Executive's employment under Section 3.2(c), Executive shall be entitled to receive the compensation described in clause (vi) of Section 7.1(a), and (iii) if, on the Date of Termination, the Company does not have a right to terminate Executive's employment under Section 3.2(a), 3.2(b), or 3.2(c) and subject to Executive's delivery, within 50 days after the Date of Termination, and non-revocation of an executed release substantially in the form of the release contained at Appendix B (the "**Release**"), Executive shall receive the following additional compensation and benefits from the Company:

(A) the Company shall pay to Executive a bonus for the calendar year in which the Date of Termination occurs in an amount equal to the Annual Bonus for such year as determined in good faith by the Board in accordance with the criteria established pursuant to Section 4.2 and based on the Company's performance for such year, which amount shall be prorated through and including the Date of Termination (based on the ratio of the number of days Executive was employed by the Company during such year (or, to the extent specifically provided in Section 3.3, the number of days Executive would have been employed by the Company during such year as of the Specified Date of Termination) to the number of days in such year), payable in a lump-sum on or before the date such annual bonuses are paid to executives who have continued employment with the Company (but in no event earlier than 60 days after the Date of Termination nor later than the June 30 next following such calendar year); provided, however, that if Executive is a Specified Employee and the payment of the amount described in this clause (A) would be subject to additional taxes and interest under section 409A of the Code because the timing of such payment is not delayed as provided in section 409A(a)(2)(B)(i) of the Code and the regulations thereunder, then such amount (together with interest on a non-compounded basis, from the date such payment would have been made had this payment delay not applied to the actual date of

payment, at the Applicable Rate) shall be paid within five business days after the Section 409A Payment Date;

(B) the Company shall pay to Executive an amount equal to the Severance Multiple times the sum of (i) Executive's Base Salary as of the Date of Termination and (ii) 80% of Executive's Base Salary as of the Date of Termination, which amount shall be paid in a lump sum payment on the date that is 60 days after the Date of Termination occurs; and

(C) during the portion, if any, of the 18-month period following the Date of Termination that Executive elects to continue coverage for Executive and Executive's spouse and eligible dependents, if any, under the Company's group health plans under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (COBRA), and/or sections 601 through 608 of the Employee Retirement Income Security Act of 1974, as amended, the Company shall promptly reimburse Executive on a monthly basis for the difference between the amount Executive pays to effect and continue such coverage and the employee contribution amount that active senior executive employees of the Company pay for the same or similar coverage under such group health plans. Notwithstanding the preceding provisions of this clause (C), if the provision of the benefit described in such clause cannot be provided in the manner described in such clause without penalty, tax or other adverse impact on the Company, then the Company and Executive shall negotiate in good faith to determine an alternative manner in which the Company may provide a substantially equivalent benefit to Executive without such adverse impact on the Company.

ARTICLE VIII

NON-COMPETITION AGREEMENT

8.1 Definitions. As used in this Article VIII, the following terms shall have the following meanings:

“ **Business** ” means (a) during the period of Executive's employment by the Company, the design, manufacture and supply of products and services provided by the Company and its subsidiaries during such period and other products and services that are functionally equivalent to the foregoing, and (b) during the portion of the Prohibited Period that begins on the termination of Executive's employment with the Company, the design, manufacture and supply of products and services provided by the Company and its subsidiaries at the time of such termination of employment (or, if earlier, at the time immediately preceding the date upon which a Change in Control occurs) and other products and services that are functionally equivalent to the foregoing.

“ **Competing Business** ” means any business, individual, partnership, firm, corporation or other entity (other than an affiliate of the Company, L.E. Simmons & Associates, Incorporated (“ **LESA** ”) and its affiliates, or another entity in which SCF-V, L.P., a Delaware limited partnership, SCF-VI, L.P., a Delaware limited partnership, SCF-VII, L.P., a Delaware limited partnership, or any future limited partnership established by an affiliate of LESA has an ownership interest) which wholly or in any significant part engages in any business competing with the

Business in the Restricted Area. In no event will the Company or any of its subsidiaries be deemed a Competing Business.

“ **Governmental Authority** ” means any governmental, quasi-governmental, state, county, city or other political subdivision of the United States or any other country, or any agency, court or instrumentality, foreign or domestic, or statutory or regulatory body thereof

“ **Legal Requirement** ” means any law, statute, code, ordinance, order, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, authorization, or other directional requirement (including, without limitation, any of the foregoing that relates to environmental standards or controls, energy regulations and occupational, safety and health standards or controls including those arising under environmental laws) of any Governmental Authority.

“ **Prohibited Period** ” means the period during which Executive is employed by the Company hereunder and a period of two years following the end of Executive’s employment with the Company.

“ **Restricted Area** ” means any geographical area within 100 miles in which the Company and its subsidiaries engage in the Business during the period during which Executive is employed hereunder, which such area includes, without limitation, the geographic areas set forth on Appendix C hereto.

8.2 Non-Competition; Non-Solicitation . Executive and the Company agree to the non-competition and non-solicitation provisions of this Article VIII in consideration for the Confidential Information provided by the Company to Executive pursuant to Article V of this Agreement, to protect the trade secrets and confidential information of the Company or its affiliates disclosed or entrusted to Executive by the Company or its affiliates or created or developed by Executive for the Company or its affiliates, to protect the business goodwill of the Company or its affiliates developed through the efforts of Executive and/or the business opportunities disclosed or entrusted to Executive by the Company or its affiliates and as an additional incentive for the Company to enter into this Agreement.

(a) Subject to the exceptions set forth in Section 8.2(b) below, Executive expressly covenants and agrees that during the Prohibited Period (i) Executive will refrain from carrying on or engaging in, directly or indirectly, any Competing Business in the Restricted Area (excluding hiring, engaging or paying a Competing Business as a contractor or subcontractor for services) and (ii) Executive will not, and Executive will cause Executive’s affiliates not to, directly or indirectly, own, manage, operate, join, become an employee of, partner in, owner or member of (or an independent contractor to), control or participate in, be connected with or loan money to, sell or lease equipment or property to, or otherwise be affiliated with any business, individual, partnership, firm, corporation or other entity which engages in a Competing Business in the Restricted Area, as Executive expressly agrees that each of the foregoing activities would represent carrying on or engaging in a Competitive Business, as prohibited by this Section 8.2(a).

(b) Notwithstanding the restrictions contained in Section 8.2(a): (i) Executive or any of Executive's affiliates may own an aggregate of not more than 2% of the outstanding stock of any class of any corporation engaged in a Competing Business, if such stock is listed on a national securities exchange or regularly traded in the over-the-counter market by a member of a national securities exchange, without violating the provisions of Section 8.2(a), provided that neither Executive nor any of Executive's affiliates has the power, directly or indirectly, to control or direct the management or affairs of any such corporation and is not involved in the management of such corporation (except to the extent permitted in clause (ii) of this sentence); and (ii) Executive may serve in a senior executive or director capacity for a corporation which (directly or through its subsidiaries) is engaged in a Competing Business, without violating the provisions Section 8.2(a), provided that the revenues attributable to such Competing Business for the four fiscal quarters of such corporation ending on or before the date of the commencement of Executive's service in such capacity comprise less than 10% of the consolidated total revenue of such corporation for such four fiscal quarters.

(c) Executive further expressly covenants and agrees that during the Prohibited Period, Executive will not, and Executive will cause Executive's affiliates not to (i) engage or employ, solicit or contact with a view to the engagement or employment of, or recommend or refer to any person or entity (other than the Company or one of its affiliates) for engagement or employment any person who is an officer or employee of the Company or any of its affiliates or (ii) canvass, solicit, approach or entice away or cause to be canvassed, solicited, approached or enticed away from the Company or any of its affiliates any person or entity who or which is a customer of any of such entities during the period during which Executive is employed by the Company.

(d) The restrictions contained in Section 8.2 shall not apply to any product or service that the Company provided during Executive's employment but that the Company no longer provides at the Date of Termination . Further, notwithstanding the other provisions of this Section 8.2, within the State of Oklahoma, the restrictions of Sections 8.2(a) and 8.2(c) (ii) shall be limited to preventing Executive from directly soliciting the sale of goods, services or a combination of goods and services from any established customer of the Company, as may exist from time-to-time.

(e) Before accepting employment with any other person or entity while employed by the Company or during the Prohibited Period, the Executive will inform such person or entity of the restrictions contained in this Article VIII.

8.3 Relief . Executive and the Company agree and acknowledge that the limitations as to time, geographical area and scope of activity to be restrained as set forth in Section 8.2 are reasonable and do not impose any greater restraint than is necessary to protect the legitimate business interests of the Company. Executive and the Company also acknowledge that money damages would not be sufficient remedy for any breach of this Article VIII by Executive, and the Company or its affiliates shall be entitled to enforce the provisions of this Article VIII by terminating payments then owing to Executive under this Agreement or otherwise and to specific performance and injunctive relief as remedies for such breach or any threatened breach. Such remedies shall not be deemed the exclusive remedies for a breach of this Article VIII but shall be

in addition to all remedies available at law or in equity, including the recovery of damages from Executive and Executive's agents. However, if it is determined that Executive has not committed a breach of this Article VIII, then the Company shall resume the payments and benefits due under this Agreement and promptly pay to Executive all payments (together with interest on a non-compounded basis, from the date each such payment would have been made had such payment not been suspended to the actual date of payment, at the Applicable Rate) and benefits that had been suspended pending such determination.

8.4 Reasonableness; Enforcement . Executive hereby represents to the Company that Executive has read and understands, and agrees to be bound by, the terms of this Article VIII. Executive acknowledges that the geographic scope and duration of the covenants contained in this Article VIII are the result of arm's-length bargaining and are fair and reasonable in light of (a) the nature and wide geographic scope of the operations of the Business, (b) Executive's level of control over and contact with the Business in all jurisdictions in which it is conducted, (c) the fact that the Business is conducted throughout the Restricted Area and (d) the amount of Confidential Information that Executive is receiving in connection with the performance of Executive's duties hereunder. It is the desire and intent of the parties that the provisions of this Article VIII be enforced to the fullest extent permitted under applicable Legal Requirements, whether now or hereafter in effect and therefore, to the extent permitted by applicable Legal Requirements, Executive and the Company hereby waive any provision of applicable Legal Requirements that would render any provision of this Article VIII invalid or unenforceable.

8.5 Reformation . The Company and Executive agree that the foregoing restrictions are reasonable under the circumstances and that any breach of the covenants contained in this Article VIII would cause irreparable injury to the Company. Executive understands that the foregoing restrictions may limit Executive's ability to engage in certain businesses anywhere in the Restricted Area during the Prohibited Period, but acknowledges that Executive will receive sufficient consideration from the Company to justify such restriction. Further, Executive acknowledges that Executive's skills are such that Executive can be gainfully employed in non-competitive employment, and that the agreement not to compete will not prevent Executive from earning a living. Nevertheless, if any of the aforesaid restrictions are found by a court of competent jurisdiction to be unreasonable, or overly broad as to geographic area or time, or otherwise unenforceable, the parties intend for the restrictions herein set forth to be modified by the court making such determination so as to be reasonable and enforceable and, as so modified, to be fully enforced. By agreeing to this contractual modification prospectively at this time, the Company and Executive intend to make this provision enforceable under the law or laws of all applicable States, Provinces and other jurisdictions so that the entire agreement not to compete and this Agreement as prospectively modified shall remain in full force and effect and shall not be rendered void or illegal. Such modification shall not affect the payments made to Executive under this Agreement.

ARTICLE IX

DISPUTE RESOLUTION

9.1 Arbitration . All claims or disputes between Executive and the Company or its parents, subsidiaries and affiliates (including, without limitation, claims relating to the validity, scope, and enforceability of this Article IX and claims arising under any federal, state or local law regarding the terms and conditions of employment or prohibiting discrimination in employment or

governing the employment relationship in any way) shall be submitted for final and binding arbitration in Houston, Texas in accordance with the then-applicable rules for resolution of employment disputes of the American Arbitration Association (“AAA”). The arbitration shall be conducted by a single arbitrator chosen pursuant to the then-applicable rules for resolution of employment disputes of the AAA, and the Company shall bear the costs of such arbitration. For the avoidance of doubt, the Company’s assumption of costs referenced in the previous sentence applies to the costs of the AAA only, and does not include attorney or expert fees or other fees or costs incurred by Executive. The arbitrator shall apply the substantive law of the State of Texas (excluding Texas choice-of-law principles that might call for the application of some other state’s law), or federal law, or both as applicable to the claims asserted. The results of the arbitration and the decision of the arbitrator will be final and binding on the parties and each party agrees and acknowledges that these results shall be enforceable in a court of law. No demand for arbitration may be made after the date when the institution of legal or equitable proceedings based on such claim or dispute would be barred by the applicable statute(s) of limitations. In the event either party must resort to the judicial process to enforce the provisions of this Agreement, the award of an arbitrator or equitable relief granted by an arbitrator, the party successfully seeking enforcement shall be entitled to recover from the other party all costs of such litigation including, but not limited to, reasonable attorney’s fees and court costs. To the fullest extent permitted by law, all proceedings conducted pursuant to this agreement to arbitrate, including any order, decision or award of the arbitrator, shall be kept confidential by all parties. Notwithstanding the foregoing, Executive and the Company further acknowledge and agree that a court of competent jurisdiction residing in Houston, Texas shall have the power to maintain the status quo pending the arbitration of any dispute under this Article IX, and this Article IX shall not require the arbitration of any application for emergency, temporary or preliminary injunctive relief (including temporary restraining orders) by either party pending arbitration, including, without limitation, any application for emergency, temporary or preliminary injunctive relief for any claim arising out of Article V or Article VIII of this Agreement; provided, however, that the remainder of any such dispute beyond the application for such emergency, temporary or preliminary injunctive relief shall be subject to arbitration under this Article IX. **THE PARTIES ACKNOWLEDGE THAT, BY SIGNING THIS AGREEMENT, THEY ARE KNOWINGLY AND VOLUNTARILY WAIVING ANY RIGHTS THAT THEY MAY HAVE TO A JURY TRIAL OR, EXCEPT AS EXPRESSLY PROVIDED HEREIN, A COURT TRIAL OF ANY CLAIM THAT IS SUBJECT TO THIS ARTICLE IX.**

ARTICLE X
CERTAIN EXCISE TAXES

10.1 Certain Excise Taxes. Notwithstanding anything to the contrary in this Agreement, if Executive is a “disqualified individual” (as defined in section 280G(c) of the Code), and the payments and benefits provided for in this Agreement, together with any other payments and benefits which Executive has the right to receive from the Company or any of its affiliates, would constitute a “parachute payment” (as defined in section 280G(b)(2) of the Code), then the payments and benefits provided for in this Agreement shall be either (a) reduced (but not below zero) so that the present value of such total amounts and benefits received by Executive from the Company and its affiliates will be one dollar (\$1.00) less than three times Executive’s “base amount” (as defined in section 280G(b)(3) of the Code) and so that no portion of such amounts and benefits received by Executive shall be subject to the excise tax imposed by section 4999 of

the Code or (b) paid in full, whichever produces the better net after-tax position to Executive (taking into account any applicable excise tax under section 4999 of the Code and any other applicable taxes). The reduction of payments and benefits hereunder, if applicable, shall be made by reducing, first, payments or benefits to be paid in cash hereunder in the order in which such payment or benefit would be paid or provided (beginning with such payment or benefit that would be made last in time and continuing, to the extent necessary, through to such payment or benefit that would be made first in time) and, then, reducing any benefit to be provided in-kind hereunder in a similar order. The determination as to whether any such reduction in the amount of the payments and benefits provided hereunder is necessary shall be made by the Company in good faith. If a reduced payment or benefit is made or provided and through error or otherwise that payment or benefit, when aggregated with other payments and benefits from the Company (or its affiliates) used in determining if a "parachute payment" exists, exceeds one dollar (\$1.00) less than three times Executive's base amount, then Executive shall immediately repay such excess to the Company upon notification that an overpayment has been made. Nothing in this Section 10.1 shall require the Company to be responsible for, or have any liability or obligation with respect to, Executive's excise tax liabilities under section 4999 of the Code. Notwithstanding the foregoing, if shareholder approval (obtained in a manner that satisfies the requirements of section 280G(b)(5) of the Code) of a payment or benefit to be provided to Executive by the Company or any other person (whether under this Agreement or otherwise) would prevent Executive from receiving a "parachute payment" (as defined in section 280G(b)(2) of the Code), then, upon the request of Executive and his agreement (to the extent necessary) to subject his entitlement to the receipt of such payment or benefit to shareholder approval, the Company shall seek such approval in a manner that satisfies the requirements of section 280G of the Code and the regulations thereunder.

ARTICLE XI **MISCELLANEOUS**

11.1 Notices . For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given (a) when received if delivered personally or by courier, (b) on the date receipt is acknowledged if delivered by certified mail, postage prepaid, return receipt requested or (c) one day after transmission if sent by facsimile transmission with confirmation of transmission, as follows:

If to Executive, addressed to:

Ms. Holli C. Nichols
1621 Kipling
Houston, Texas 77006

If to the Company, addressed to:

Rockwater Energy Solutions, Inc.
600 Travis, Suite 6600
Houston, Texas 77002
Attention: Chief Executive Officer
Fax: 713.227.7850

or to such other address as either party may furnish to the other in writing in accordance herewith, except that notices or changes of address shall be effective only upon receipt.

11.2 Applicable Law; Submission to Jurisdiction

(a) This Agreement is entered into under, and shall be governed for all purposes by, the laws of the State of Texas, without regard to conflicts of laws principles thereof.

(b) With respect to any claim or dispute related to or arising under this Agreement for which an application for emergency or temporary injunctive relief may be made (as provided in Article IX), the parties hereto hereby consent to the exclusive jurisdiction, forum and venue of the state and federal courts located in Harris County, Texas.

11.3 No Waiver. No failure by either party hereto at any time to give notice of any breach by the other party of, or to require compliance with, any condition or provision of this Agreement shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

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

11.5 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement.

11.6 Withholding of Taxes and Other Employee Deductions. The Company may withhold from any benefits and payments made pursuant to this Agreement all federal, state, city and other taxes and withholdings as may be required pursuant to any law or governmental regulation or ruling and all other customary deductions made with respect to the Company's employees generally.

11.7 Headings. The Section headings have been inserted for purposes of convenience and shall not be used for interpretive purposes.

11.8 Gender and Plurals. Wherever the context so requires, the masculine gender includes the feminine or neuter, and the singular number includes the plural and conversely.

11.9 Affiliate and Subsidiary. As used in this Agreement, (a) the term "*affiliate*" as used with respect to a particular person or entity shall mean any other person or entity which owns or controls, is owned or controlled by, or is under common ownership or control with, such particular person or entity and (b) the term "*subsidiary*" as used with respect to a particular entity shall mean a direct or indirect subsidiary of such entity.

11.10 Successors. This Agreement shall be binding upon and inure to the benefit of the Company and any successor of the Company. Except as provided in the preceding sentence, this Agreement, and the rights and obligations of the parties hereunder, are personal and neither this Agreement, nor any right, benefit or obligation of either party hereto, shall be subject to voluntary or involuntary assignment, alienation or transfer, whether by operation of law or otherwise,

without the prior written consent of the other party. In addition, any payment owed to Executive hereunder after the date of Executive's death shall be paid to Executive's estate.

11.11 Effect of Termination of Employment Relationship. The provisions of Articles V, VI, VII, VIII, IX, X and XI shall survive any termination of the employment relationship between Executive and the Company.

11.12 Entire Agreement. Except as provided in any signed written agreement contemporaneously or hereafter executed by the Company and Executive and except for the agreements described on Appendix D attached hereto, this Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to employment of Executive by the Company. Without limiting the scope of the preceding sentence, all understandings and agreements preceding the date of execution of this Agreement and relating to the subject matter hereof including, without limitation, any prior employment agreement between Executive and the Company or an affiliate, are hereby null and void and of no further force and effect.

11.13 Modification; Waiver. Any modification to or waiver of this Agreement will be effective only if it is in writing and signed by the parties to this Agreement.

11.14 Actions by the Board. Any and all determinations or other actions required of the Board hereunder that relate specifically to Executive's employment by the Company or the terms and conditions of such employment shall be made by the members of the Board other than Executive if Executive is a member of the Board, and Executive shall not have any right to vote or decide upon any such matter.

11.15 Executive's Representations and Warranties. Executive represents and warrants to the Company that (a) Executive does not have any agreements with Executive's prior employer that will prohibit Executive from working for the Company or fulfilling Executive's duties and obligations to the Company pursuant to this Agreement and (b) Executive has complied with all duties imposed on Executive with respect to Executive's former employer, e.g., Executive does not possess any tangible property belonging to Executive's former employer.

11.16 Delayed Payment Restriction. Notwithstanding any provision in this Agreement to the contrary, if any payment or benefit provided for herein would be subject to additional taxes and interest under section 409A of the Code if Executive's receipt of such payment or benefit is not delayed until the Section 409A Payment Date, then such payment or benefit shall not be provided to Executive (or Executive's estate, if applicable) until the Section 409A Payment Date.

[Signatures begin on next page.]

IN WITNESS WHEREOF , the parties hereto have executed this Agreement as of June 1, 2011.

ROCKWATER ENERGY SOLUTIONS, INC.

By: /s/ Lawrence O'Donnell, III
Name: Lawrence O'Donnell, III
Title: Chairman, President & CEO

HOLLI C. NICHOLS

/s/ Holli C. Nichols

APPENDIX A

PERMITTED ACTIVITIES

As of the Effective Date, Executive is serving on the board of directors or similar governing body of the following entities:

Atlantic Power Corporation

His Grace Foundation

APPENDIX B

RELEASE AGREEMENT

This Release Agreement (this “*Agreement*”) constitutes the release referred to in that certain Employment Agreement (the “*Employment Agreement*”) dated as of June 1, 2011, by and between Holli C. Nichols (“*Executive*”) and Rockwater Energy Solutions, Inc. (the “*Company*”).

1. General Release.

(a) For good and valuable consideration, including the Company’s provision of certain payments and benefits to Executive in accordance with Section 7.1(b)(iii) of the Employment Agreement, Executive hereby releases, discharges and forever acquits the Company, its affiliates and subsidiaries, the past, present and future stockholders, members, partners, directors, managers, employees, agents, attorneys, heirs, legal representatives, successors and assigns of the foregoing, as well as all employee benefit plans maintained by the Company or any of its affiliates or subsidiaries and all fiduciaries and administrators of any such plan, in their personal and representative capacities (collectively, the “*Company Parties*”), from liability for, and hereby waives, any and all claims, rights, damages, or causes of action of any kind related to Executive’s employment with any Company Party, the termination of such employment, and any other acts or omissions related to any matter on or prior to the date of this Agreement (collectively, the “*Released Claims*”).

(b) The Released Claims include without limitation those arising under or related to: (i) the Age Discrimination in Employment Act of 1967; (ii) Title VII of the Civil Rights Act of 1964; (iii) the Civil Rights Act of 1991; (iv) sections 1981 through 1988 of Title 42 of the United States Code; (v) the Employee Retirement Income Security Act of 1974, including, but not limited to, sections 502(a)(1)(A), 502(a)(1)(B), 502(a)(2), and 502(a)(3) to the extent the release of such claims is not prohibited by applicable law; (vi) the Immigration Reform Control Act; (vii) the Americans with Disabilities Act of 1990; (viii) the National Labor Relations Act; (ix) the Occupational Safety and Health Act; (x) the Family and Medical Leave Act of 1993; (xi) any state or federal anti-discrimination law; (xii) any state or federal wage and hour law; (xiii) any other local, state or federal law, regulation or ordinance; (xiv) any public policy, contract, tort, or common law; (xv) costs, fees, or other expenses including attorneys’ fees incurred in these matters; (xvi) any employment contract, incentive compensation plan or stock option plan with any Company Party or to any ownership interest in any Company Party except as expressly provided in the Employment Agreement, any stock option agreement, any stockholders agreement or other equity compensation agreement between Executive and the Company; and (xvii) compensation or benefits of any kind from any Company Party (other than benefits vested as of the date of this Agreement) not expressly set forth in the Employment Agreement or any such stock option or other equity compensation agreement.

(c) In no event shall the Released Claims include (i) any claim which arises after the date of this Agreement, (ii) any claims for the payments and benefits payable to Executive under Section 7.1(b) of the Employment Agreement, (iii) any claims to the equity interests in the Company Parties that Executive holds as of the date of this Agreement which remain subject to the terms and conditions, as applicable, of the Company’s stockholders agreement (as may be

amended from time to time) and any specific equity award agreement between Executive and a Company Party, and (iv) any claim for or right to indemnification under the policies or governing instruments of the Company Parties and for coverage under any directors and officers liability insurance policies maintained by the Company Parties.

(d) Notwithstanding this release of liability, nothing in this Agreement prevents Executive from filing any non-legally waivable claim (including a challenge to the validity of this Agreement) with the Equal Employment Opportunity Commission (“**EEOC**”) or comparable state or local agency or participating in any investigation or proceeding conducted by the EEOC or comparable state or local agency; however, Executive understands and agrees that Executive is waiving any and all rights to recover any monetary or personal relief or recovery as a result of such EEOC, or comparable state or local agency proceeding or subsequent legal actions.

(e) This Agreement is not intended to indicate that any such claims exist or that, if they do exist, they are meritorious. Rather, Executive is simply agreeing that, in exchange for the consideration recited in the first sentence of Section 1(a) of this Agreement, any and all potential claims of this nature that Executive may have against the Company Parties, regardless of whether they actually exist, are expressly settled, compromised and waived.

(f) By signing this Agreement, Executive is bound by it. Anyone who succeeds to Executive’s rights and responsibilities, such as heirs or the executor of Executive’s estate, is also bound by this Agreement. This release also applies to any claims brought by any person or agency or class action under which Executive may have a right or benefit. THIS RELEASE INCLUDES MATTERS ATTRIBUTABLE TO THE SOLE OR PARTIAL NEGLIGENCE (WHETHER GROSS OR SIMPLE) OR OTHER FAULT, INCLUDING STRICT LIABILITY, OF ANY OF THE COMPANY PARTIES.

2. **Covenant Not to Sue; Executive’s Representation**. Executive agrees not to bring or join any lawsuit against any of the Company Parties in any court relating to any of the Released Claims. Executive represents that Executive has not brought or joined any claim, lawsuit or arbitration against any of the Company Parties in any court or before any administrative agency or arbitral authority and has made no assignment of any rights Executive has asserted or may have against any of the Company Parties to any person or entity, in each case, with respect to any Released Claims.

3. **Acknowledgments**. By executing and delivering this Agreement, Executive acknowledges that:

(a) Executive has carefully read this Agreement;

(b) Executive has had at least [twenty-one (21)] [forty-five (45)] days to consider this Agreement before the execution and delivery hereof to the Company [Add if 45 days applies:], and Executive acknowledges that attached to this Agreement is a list provided to Executive by the Company of (i) the job titles and ages of all employees selected for participation in the employment termination or exit incentive program pursuant to which Executive is being offered this Agreement, (ii) the job titles and ages of all employees in the same job classification or organizational unit who were not selected for participation in the program, and (iii) information

about the unit affected by the program, including any eligibility factors for such program and any time limits applicable to such program];

(c) Executive has been and hereby is advised in writing that Executive may, at Executive's option, discuss this Agreement with an attorney of Executive's choice and that Executive has had adequate opportunity to do so; and

(d) Executive fully understands the final and binding effect of this Agreement; the only promises made to Executive to sign this Agreement are those stated in the Employment Agreement and herein; and Executive is signing this Agreement voluntarily and of Executive's own free will, and that Executive understands and agrees to each of the terms of this Agreement.

4. **Revocation Right**. Executive may revoke this Agreement within the seven day period beginning on the date Executive signs this Agreement (such seven day period being referred to herein as the "**Release Revocation Period**"). To be effective, such revocation must be in writing signed by Executive and must be delivered to the Chief Executive Officer of the Company before 11:59 p.m., Houston, Texas time, on the last day of the Release Revocation Period. This Agreement is not effective, and no consideration shall be paid to Executive, until the expiration of the Release Revocation Period without Executive's revocation. If an effective revocation is delivered in the foregoing manner and timeframe, this Agreement shall be of no force or effect and shall be null and void ab initio.

Executed on this _____ day of _____, _____

Holli C. Nichols

STATE OF _____ §

_____ §

COUNTY OF _____ §

BEFORE ME, the undersigned authority personally appeared Holli C. Nichols, by me known or who produced valid identification as described below, who executed the foregoing instrument and acknowledged before me that he subscribed to such instrument on this ____ day of _____, _____.

NOTARY PUBLIC in and for the

State of

My Commission Expires: _____

Identification produced:

APPENDIX C
RESTRICTED AREA

COUNTRY/STATE	COUNTY/PARISH/PROVINCE		
CANADA	Alberta British Columbia Saskatchewan		
ALASKA	North Slope		
ARKANSAS	Cleburne Columbia Conway Craighead Crawford Faulkner Franklin Fulton Independence Johnson Lafayette	Logan Miller Nevada Ouachita Pope Pulaski Sebastian Union Van Buren White	
COLORADO	Adams Garfield Mesa Morgan Rio Blanco Weld		
FLORIDA	Duval		
ILLINOIS	McLean		
KANSAS	Barber Butler Chase Chautauqua Clark Coffey Comanche Cowley Dickinson Elk Ellis Finney	Grant Greenwood Harper Harvey Haskell Kingman Kiowa Labette Marion McPherson Meade Montgomery	Morris Morton Neosho Pratt Reno Rice Saline Sedgwick Seward Stafford Stevens Sumner

COUNTRY/STATE	COUNTY/PARISH/PROVINCE		
LOUISIANA	Acadia Bienville Bossier Caddo Calcasieu Cameron Claiborne DeSoto Iberia Jefferson Davis Lafayette	Lafourche Natchitoches Plaquemines Red River Sabine St. Landry St. Martin St. Mary Terrebonne Vermillion Webster	
MASSACHUSETTS	Middlesex Worcester		
MICHIGAN	Kalkaska Otsego		
MISSISSIPPI	Marion		
MISSOURI	Perry		
MONTANA	Sheridan Roosevelt Richland		
NEBRASKA	Douglas		
NEVADA	Washoe		
NEW HAMPSHIRE	Hillsborough Rockingham		
NEW MEXICO	Bernalillo Catron Chaves Cibola Colfax Curry De Baca Dona Ana Eddy Grant Guadalupe	Harding Hidalgo Lea Lincoln Luna McKinley Mora Otero Quay Rio Arriba Roosevelt	San Juan San Miguel Sandoval Santa Fe Sierra Socorro Taos Torrance Union Valencia
NEW YORK	Cattaraugus Chautauqua Chemung Chenango Cortland Delaware Erie Ostego Steuben Tioga		

COUNTRY/STATE	COUNTY/PARISH/PROVINCE			
NORTH DAKOTA	Adams Billings Bottineau Bowman Burke Burleigh Divide Dunn Golden Valley Grant Hettinger McHenry McKenzie	McLean Mercer Morton Mountrail Oliver Pierce Renville Rolette Sheridan Sioux Slope Stark Ward Williams		
OHIO	Allen Coshocton Cuyahoga Guernsey Harrison Knox Licking Morgan Portage Trumbull Washington Wayne			
OKLAHOMA	Alfalfa Atoka Beaver Beckham Blaine Bryan Caddo Canadian Carter Cimarron Cleveland Coal Comanche Cotton Creek Custer Dewey El Reno	Ellis Garfield Garvin Grady Grant Greer Harmon Harper Haskell Hughes Jackson Jefferson Kay Kingfisher Kiowa Latimer LeFlore	Lincoln Logan Love Major Marshall Mayes McClain McCurtain McIntosh Murray Noble Nowata Okfuskee Oklahoma Okmulgee Osage Pawnee	Payne Pittsburg Pontotoc Pottawatomie Roger Mills Rogers Seminole Sequoyah Stephens Texas Tillman Tulsa Wagoner Washington Washita Woods Woodward

COUNTRY/STATE	COUNTY/PARISH/PROVINCE				
PENNSYLVANIA	Allegheny Armstrong Beaver Bedford Berks Bradford Butler Cambria Cameron Centre Chester	Clarion Clearfield Clinton Columbia Crawford Elk Fayette Forest Fulton Greene Indiana	Jefferson Lackawanna Lawrence Lebanon Luzerne Lycoming McKean Mercer Montour Pittsburg Potter	Somerset Sullivan Susquehanna Tioga Venango Warren Washington Wayne Westmoreland Wetzel Wyoming	
TENNESSEE	Shelby				
TEXAS	Anderson Andrews Archer Armstrong Atascosa Bailey Baylor Bee Bexar Borden Bosque Bowie Brazoria Brazos Brewster Briscoe Brooks Brown Burleson Callahan Cameron Carson Cass Castro Cherokee Childress Clay Cochran Coke Coleman Collingsworth Comanche Concho Cooke Cottle Crane Crockett	Crosby Culberson Dallam Dawson Deaf Smith Denton DeWitt Dickens Dimmit Donley Duval Eastland Ector Edwards Ellis Erath Fayette Fisher Floyd Foard Fort Bend Freestone Frio Gaines Garza Glasscock Goliad Gonzales Gray Grayson Gregg Hale Hall Hamilton Hansford Hardeman Harris	Harrison Hartley Haskell Hemphill Hidalgo Hill Hockley Hood Houston Howard Hutchinson Irion Jack Jackson Jeff Davis Jefferson Jim Hogg Jim Wells Johnson Jones Karnes Kenedy Kent Kimble King Kinney Kleberg Knox La Salle Lamb Lavaca Leon Limestone Lipscomb Live Oak Loving Lubbock	Lynn Marion Martin Maverick McCulloch McMullen Medina Menard Midland Mitchell Montague Moore Motley Nacogdoches Nolan Nueces Ochiltree Oldham Orange Palo Pinto Panola Parker Parmer Pecos Potter Randall Reagan Reeves Refugio Roberts Robertson Runnels Rusk Sabine San Augustine San Patricio Schleicher	Scurry Shackelford Shelby Sherman Somervell Smith Starr Stephens Sterling Stonewall Sutton Swisher Tarrant Taylor Terrell Terry Throckmorton Tom Green Upton Uvalde Val Verde Victoria Ward Webb Wheeler Wichita Wilbarger Willacy Wilson Winkler Wise Wood Yoakum Young Zapata Zavala

COUNTRY/STATE	COUNTY/PARISH/PROVINCE	
UTAH	Uintah	
VIRGINIA	Wise	
WASHINGTON	Jefferson Pierce	
WEST VIRGINIA	Barbour Boone Braxton Calhoun Clay Doddridge Gilmer Harrison Kanawha Lewis Lincoln Logan Marion Marshall	Monongalia Ohio Preston Putnam Raleigh Ritchie Roane Taylor Tyler Upshur Wetzel Wirt Wood Wyoming
WYOMING	Campbell Converse Fremont Natrona Sweetwater Washakie	

APPENDIX D

EXISTING AGREEMENTS

Unit Option Agreement dated March 14, 2011 with EnerMAX Services Limited Partnership

Nonstatutory Stock Option Agreement dated March 14, 2011 with Benchmark Performance Group, Inc.

Nonstatutory Stock Option Agreement dated March 14, 2011 with Reef Services Holdings, Inc.

Nonstatutory Stock Option Agreement dated March 14, 2011 with Red Oak Water Transfer, Inc.

D-1

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (“ *Agreement* ”) is made by and between Rockwater Energy Solutions, Inc. (the “ *Company* ”), and David J. Nightingale (“ *Executive* ”).

WITNESSETH:

WHEREAS , the Company desires to employ Executive on the terms and conditions, and for the consideration, hereinafter set forth and Executive desires to be employed by the Company on such terms and conditions and for such consideration.

NOW, THEREFORE , for and in consideration of the mutual promises, covenants and obligations contained herein, the Company and Executive agree as follows:

ARTICLE I
DEFINITIONS

In addition to the terms defined in the body of this Agreement, for purposes of this Agreement, the following capitalized words shall have the meanings indicated below:

1.1 “ *Acquiring Person* ” shall mean any individual, entity or group (within the meaning of section 13(d)(3) or 14(d)(2) of the Exchange Act) other than the Initial Stockholders.

1.2 “ *Board* ” shall mean the Board of Directors of the Company.

1.3 “ *Cause* ” shall mean a determination by the Company that Executive (a) has engaged in gross negligence or willful misconduct in the performance of Executive’s duties with respect to the Company or any of its affiliates, (b) has materially breached any material provision of this Agreement or any written agreement or corporate policy or code of conduct established by the Company or any of its affiliates, (c) has willfully engaged in conduct that is materially injurious to the Company or any of its affiliates, or (d) has been convicted of, pleaded no contest to or received adjudicated probation or deferred adjudication in connection with a felony involving fraud, dishonesty or moral turpitude (or a crime of similar import in a foreign jurisdiction).

1.4 “ *Change in Control* ” shall mean, as applicable:

(a) Prior to the common stock of the Company becoming Public Stock (including any transaction pursuant to which the common stock of the Company first becomes Public Stock), a “Change in Control” of the Company shall mean, in one transaction or a series of related transactions, (A) a Corporate Transaction or a sale of capital stock of the Company by stockholders of the Company (other than in connection with an Initial Public Offering) with the result immediately after such Corporate Transaction or sale that a single Acquiring Person, together with its affiliates, owns, directly or indirectly, either a greater number of shares of common stock of the Company (calculated on a fully-diluted basis assuming that all shares of capital stock of the Company that are convertible into common stock of the Company at the then applicable conversion

ratio are so converted) than the Initial Stockholders then own or, in the context of a Corporate Transaction in which the Company is not the surviving entity, more voting stock generally entitled to elect directors of such surviving entity (or in the case of a triangular merger, of the parent entity of such surviving entity) than the Initial Stockholders then own, or (B) the Company sells, leases or exchanges all or substantially all of its assets to any Acquiring Person or the dissolution or liquidation of the Company other than, in either case, pursuant to a transaction that complies with clause (b)(iii)(1) of this definition.

(b) After the common stock of the Company becomes Public Stock, a “Change in Control” of the Company shall mean:

(i) The acquisition by any Acquiring Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of fifty percent (50%) or more of either (1) the then outstanding shares of common stock of the Company (the “**Outstanding Company Common Stock**”) or (2) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “**Outstanding Company Voting Securities**”); provided, however, that for purposes of this subsection (i) any acquisition by any Acquiring Person pursuant to a transaction which complies with clause (b)(iii)(1) of this definition shall not constitute a Change in Control; or

(ii) Individuals, who, immediately following the time when the common stock of the Company becomes Public Stock, constitute the Board (the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the time when the common stock of the Company becomes Public Stock whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered for purposes of this definition as though such individual was a member of the Incumbent Board, but excluding, for these purposes, any such individual whose initial assumption of office as a director occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of an Acquiring Person other than the Board; or

(iii) The consummation of a Corporate Transaction unless, following such Corporate Transaction, (1) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the Company (if it be the ultimate parent entity following such Corporate Transaction) or the corporation resulting from such Corporate Transaction (or the ultimate parent entity which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries), and (2) at least a majority of the members of the board of directors of the ultimate parent entity resulting from such Corporate Transaction were members of the Board at the time of the

execution of the initial agreement, or of the action of the Board, providing for such Corporate Transaction. For purposes of the foregoing sentence, only (A) shares of common stock and voting securities of the Company, assuming the Company is the ultimate parent entity following such Corporate Transaction, held by a beneficial owner immediately prior to such Corporate Transaction and any additional shares of common stock and voting securities of the Company issuable to such beneficial owner in connection with such Corporate Transaction in respect of the shares of common stock and voting securities of the Company held by such beneficial owner immediately prior to such Corporate Transaction, or (B) shares of common stock and voting securities of the ultimate parent entity following such Corporate Transaction, assuming the Company is not the ultimate parent entity following such Corporate Transaction, issuable to a beneficial owner in respect of the shares of common stock and voting securities of the Company held by such beneficial owner immediately prior to such Corporate Transaction, in either case shall be included in determining whether or not the fifty percent (50%) ownership test in this subsection (iii) has been satisfied.

1.5 “ **Code** ” shall mean the Internal Revenue Code of 1986, as amended.

1.6 “ **Corporate Transaction** ” shall mean a reorganization, merger or consolidation of the Company, any of its subsidiaries or sale, lease or other disposition of all or substantially all of the assets of the Company and its subsidiaries, taken as a whole (other than to an entity wholly owned, directly or indirectly, by the Company) or the liquidation or dissolution of the Company.

1.7 “ **Date of Termination** ” shall mean the date Executive’s employment with the Company is considered to have terminated pursuant to Section 0.

1.8 “ **Exchange Act** ” shall mean the Securities Exchange Act of 1934, as amended.

1.9 “ **Good Reason** ” shall mean the occurrence of any of the following events:

(a) a material diminution in Executive’s Base Salary, other than as part of one or more decreases that shall not exceed, in the aggregate, more than 10% of Executive’s Base Salary as in effect on the Effective Date and that are applied similarly to all of the Company’s executive officers; or

(b) Executive ceases to be a Senior Vice President of the Company; or

(c) the involuntary relocation of the geographic location of Executive’s principal place of employment by more than 50 miles from the location of Executive’s principal place of employment as of the Effective Date.

Notwithstanding the foregoing provisions of this Section 0 or any other provision in this Agreement to the contrary, any assertion by Executive of a termination of employment for “ **Good Reason** ” shall not be effective unless all of the following requirements are satisfied: (i) the condition described in Section 0, (b) or 0 giving rise to Executive’s termination of employment must have arisen without Executive’s consent; (ii) Executive must provide written notice to the Company of such condition in accordance with Section 0 within 45 days of the initial existence of the condition; (iii) the condition specified in such notice must remain uncorrected for 30 days after

receipt of such notice by the Company; and (iv) the date of Executive's termination of employment must occur within 135 days after the initial existence of the condition specified in such notice.

1.10 " Initial Public Offering " shall mean the initial underwritten public offering and sale of common stock of the Company on a firm commitment basis after which the common stock of the Company is listed for trading on a national securities exchange registered under section 6(a) of the Exchange Act.

1.11 " Initial Stockholders " shall mean the stockholders of the Company as of the date of the Stockholders Agreement and their respective affiliates and Persons who are permitted transferees in accordance with the terms of the Stockholders Agreement.

1.12 " Notice of Termination " shall mean a written notice delivered to the other party indicating the specific termination provision in this Agreement relied upon for termination of Executive's employment and the intended Date of Termination and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

1.13 "Person" shall mean any natural person, limited liability company, corporation, limited partnership, general partnership, joint stock company, joint venture, association, company, trust, bank trust company, land trust, business trust, or other organization, whether or not a legal entity, and any government or agency or political subdivision thereof.

1.14 " Public Stock " shall mean shares of capital stock (including depositary receipts or depositary shares related to common stock or similar ordinary shares) of any Person that are registered under section 12 of the Exchange Act and listed for trading on a national securities exchange registered under section 6(a) of the Exchange Act.

1.15 " Section 409A Payment Date " shall mean the earlier of (a) the date of Executive's death or (b) the date that is six months after the date of termination of Executive's employment with the Company.

1.16 "Severance Multiple" shall mean two; provided, however, that the Severance Multiple shall mean three if Executive's employment hereunder shall terminate on or within two years after the occurrence of a Change in Control.

1.17 " Stockholders Agreement " shall mean that certain Stockholders Agreement dated as of June 1, 2011, among the Company and certain of its stockholders, as the same may be amended or restated from time to time.

ARTICLE II

EMPLOYMENT AND DUTIES

2.1 Employment; Effective Date. The Company agrees to employ Executive, and Executive agrees to be employed by the Company, pursuant to the terms of this Agreement beginning as of April 23, 2012 (the "**Effective Date**") and continuing for the period of time set forth in 0 of this Agreement, subject to the terms and conditions of this Agreement.

2.2 Positions. From and after the Effective Date, the Company shall employ Executive in the positions of Senior Vice President-Fluids Management of the Company or in such other position or positions as the parties mutually may agree. Employee shall initially report to the Chief Executive Officer (“CEO”) of the Company, or such other executive officer of the Company as may be designated by the CEO from time to time.

2.3 Duties and Services. Executive agrees to serve in the position(s) referred to in Section 0 and to perform diligently and to the best of Executive’s abilities the duties and services appertaining to such position(s), as well as such additional duties and services appropriate to such position(s) which the parties mutually may agree upon from time to time.

2.4 Other Interests. Executive agrees, during the period of Executive’s employment by the Company, to devote substantially all of Executive’s business time, energy and best efforts to the business and affairs of the Company and its affiliates. Notwithstanding the foregoing, the parties acknowledge and agree that Executive may (a) engage in and manage Executive’s passive personal investments, (b) engage in charitable and civic activities, (c) serve on the board of directors of up to two public companies and (d) serve on the board of directors or similar governing body of those entities set forth on Appendix A hereto and any other entity otherwise approved by the Board (or a committee thereof); provided, however, that such activities set forth in Section 2.4(a), (b), (c) and (d) shall be permitted so long as such activities do not conflict with the business and affairs of the Company or interfere with Executive’s performance of Executive’s duties hereunder.

2.5 Duty of Loyalty. Executive acknowledges and agrees that Executive owes a fiduciary duty of loyalty, fidelity and allegiance to act in the best interests of the Company and to do no act that would injure the business, interests, or reputation of the Company or any of its affiliates. In keeping with these duties, Executive shall make full disclosure to the Company of all business opportunities pertaining to the Company’s business and shall not appropriate for Executive’s own benefit business opportunities concerning the subject matter of the fiduciary relationship.

ARTICLE III
TERM AND TERMINATION OF EMPLOYMENT

3.1 Term. Unless sooner terminated pursuant to other provisions hereof, the Company agrees to employ Executive for the period beginning on the Effective Date and ending on the second anniversary of the Effective Date (the “*Initial Expiration Date*”); provided, however, that beginning on the Initial Expiration Date, and on each anniversary of the Initial Expiration Date thereafter, if Executive’s employment under this Agreement has not been terminated pursuant to Sections 0 or 0, then said term of employment shall automatically be extended for an additional one-year period unless on or before the date that is 60 days prior to the first day of any such extension period either party gives written notice to the other that no such automatic extension shall occur, in which case the term of employment shall terminate as of the Initial Expiration Date or the anniversary of the Initial Expiration Date immediately following the giving of such notice, as applicable.

3.2 Company's Right to Terminate . Notwithstanding the provisions of Section 0, the Company may terminate Executive's employment under this Agreement at any time for any of the following reasons by providing Executive with a Notice of Termination:

(a) upon Executive being unable to perform Executive's duties or fulfill Executive's obligations under this Agreement by reason of any physical or mental impairment for a continuous period of not less than six months as determined by the Company and certified in writing by a competent medical physician selected by the Company; or

(b) Executive's death; or

(c) for Cause; or

(d) for any other reason whatsoever or for no reason at all, in the sole discretion of the Company.

3.3 Executive's Right to Terminate . Notwithstanding the provisions of Section 0, Executive shall have the right to terminate Executive's employment under this Agreement for Good Reason or for any other reason whatsoever or for no reason at all, in the sole discretion of Executive, by providing the Company with a Notice of Termination. In the case of a termination of employment by Executive pursuant to this Section 0, the Date of Termination specified in the Notice of Termination shall not be less than 15 nor more than 60 days from the date such Notice of Termination is given, and the Company may require a Date of Termination earlier than that specified in the Notice of Termination (and, if such earlier Date of Termination is so required, then (a) it shall not change the basis for Executive's termination nor be construed or interpreted as a termination of employment pursuant to Section 0 or Section 0, (b) Executive shall receive his Base Salary through the Date of Termination that was specified by Executive in the Notice of Termination (the "***Specified Date of Termination***"), (c) any bonus that would have been payable to Executive pursuant to Section 7.1(a)(vi) or Section 7.1(b)(iii)(A) if Executive had continued in the employment of the Company through the Specified Date of Termination shall be paid and, in the case of the bonus described in Section 7.1(b)(iii)(A), prorated as provided in such Sections but determined as if Executive had continued in the employment of the Company through the Specified Date of Termination, and (d) the Company shall cause all stock options and other equity-based incentive awards, if any, awarded to Executive by the Company that become vested based solely on continued employment to have at least the same vesting status as of the Date of Termination as Executive would have achieved under the terms of such awards had Executive remained continuously employed by the Company until the Specified Date of Termination).

3.4 Deemed Resignations . Unless otherwise agreed to in writing by the Company and Executive prior to the termination of Executive's employment, any termination of Executive's employment shall constitute (a) an automatic resignation of Executive as an officer of the Company and each affiliate of the Company and (b) an automatic resignation of Executive from the Board (if applicable), from the board of directors of any affiliate of the Company and from the board of directors or similar governing body of any corporation, limited liability entity or other entity in which the Company or any affiliate holds an equity interest and with respect to which

board or similar governing body Executive serves as the Company's or such affiliate's designee or other representative.

3.5 Meaning of Termination of Employment. For all purposes of this Agreement, Executive shall be considered to have terminated employment with the Company when Executive incurs a "separation from service" with the Company within the meaning of section 409A(a)(2)(A)(i) of the Code and applicable administrative guidance issued thereunder; provided, however, that whether such a separation from service has occurred shall be determined based upon a reasonably anticipated permanent reduction in the level of bona fide services to be performed to no more than 49% of the average level of bona fide services provided in the immediately preceding 36 months.

ARTICLE IV **COMPENSATION AND BENEFITS**

4.1 Base Salary. During the term of this Agreement, Executive shall receive a minimum, annualized base salary of \$275,000 (the "**Base Salary**"). Executive's annualized base salary shall be reviewed at least annually by the Company after it goes public (it is not anticipated that there would be increases prior to that time) and, in the sole discretion of the Company, such annualized base salary may be increased (but not decreased) effective as of any date determined by the Company; provided, however, the Company may decrease Executive's Base Salary at any time and from time to time so long as such decreases do not exceed, in the aggregate, more than 10% of Executive's Base Salary as in effect on the Effective Date and such decreases are part of similar reductions applicable to all of the Company's executive officers. Executive's Base Salary shall be paid in substantially equal installments in accordance with the Company's standard policy regarding payment of compensation to executives but no less frequently than monthly.

4.2 Bonuses. For calendar year 2012, Executive shall receive such annual cash incentive bonus as may be determined by the Board in its reasonable discretion; provided, however, that (a) the target (expected value) amount of Executive's 2012 annual incentive bonus shall be 60% of Executive's Base Salary, and (b) Executive's annual incentive bonus for 2012 may range between 0% and 90% of Executive's Base Salary, depending on Executive's performance for calendar year 2012; provided however, that such annual incentive bonus for 2012 shall be prorated based upon the number of days that Executive was employed by the Company in 2012. For calendar years after 2012, Executive shall be eligible to participate in the Company's annual cash incentive bonus program which will provide for a potential annual, calendar-year bonus (the "**Annual Bonus**") based on criteria determined in the reasonable discretion of the Board at or near the beginning of each such year; provided, however, that it is expected (subject to and contingent upon Board approval each year at the time such criteria are determined by the Board) that (a) the target (expected value) amount of Executive's annual incentive bonus for each such calendar year shall be 60% of Executive's Base Salary earned for such calendar year, and (b) Executive's annual incentive bonus for each such calendar year will have an entry and maximum range, depending on achievement of entry, target and stretch goals, with zero to be earned if performance falls below entry goals, target (expected value) to be earned if target performance is achieved, maximum to be earned if performance meets or exceeds stretch goals, and pro-rated amounts earned if performance falls between entry, target and maximum goals. The metrics to be used to calculate the actual target annual incentive bonus and range of annual incentive bonus opportunity shall be determined

in the reasonable discretion of the Board at or near the beginning of the calendar year for each year after 2012. The Company shall pay each Annual Bonus, if any, with respect to a calendar year (the “**Bonus Year**”) on or before March 15 of the year following the Bonus Year; provided, however, that if audited financial statements for the Company for the Bonus Year are not completed on or before March 5 of the year following the Bonus Year, then the Annual Bonus, if any, for the Bonus Year shall be paid within 10 days after the completion of such audited financial statements but in no event shall any such Annual Bonus be paid after June 30 of the year following the Bonus Year. Except as otherwise provided in Section 7.1, Executive will be entitled to receive payment of an Annual Bonus for a Bonus Year only if Executive is employed by the Company on December 31 of such Bonus Year.

4.3 Other Benefits. During Executive’s employment hereunder, Executive shall be eligible to participate in all benefit plans and programs of the Company, including improvements or modifications of the same, which are now, or may hereafter be, available to other senior executives of the Company. The Company shall not, however, by reason of this Section 4.3, be obligated to institute, maintain, or refrain from changing, amending, or discontinuing, any such benefit plan or program, so long as such changes are similarly applicable to other senior executives generally.

4.4 Expenses. The Company shall reimburse Executive for all reasonable business expenses incurred by Executive in performing services hereunder, including all expenses of travel and living expenses while away from home on business or at the request of and in the service of the Company; provided, in each case, that such expenses are incurred and accounted for in accordance with the policies and procedures established by the Company. Any such reimbursement of expenses shall be made by the Company upon or as soon as practicable following receipt of supporting documentation reasonably satisfactory to the Company (but in any event not later than the close of Executive’s taxable year following the taxable year in which the expense is incurred by Executive); provided, however, that, upon Executive’s termination of employment with the Company, in no event shall any additional reimbursement be made prior to the Section 409A Payment Date to the extent such payment delay is required under section 409A(a)(2)(B)(i) of the Code. In no event shall any reimbursement be made to Executive for such fees and expenses after the later of (a) the first anniversary of the date of Executive’s death or (b) the date that is five years after the date of Executive’s termination of employment with the Company (other than by reason of Executive’s death).

4.5 Vacation and Sick Leave. During Executive’s employment hereunder, Executive shall be entitled to (a) sick leave in accordance with the Company’s policies applicable to its senior executives and (b) four weeks paid vacation each calendar year (none of which may be carried forward to a succeeding year).

4.6 Offices. Subject to Articles 0, 0, and 0 hereof, Executive agrees to serve without additional compensation, if elected or appointed thereto, as a director of any of the Company’s affiliates and as a member of any committees of the board of directors of any such entities, and in one or more executive positions of any of the Company’s affiliates.

ARTICLE V
PROTECTION OF INFORMATION

5.1 Disclosure to and Property of the Company. For purposes of this 0, the term “the Company” shall include the Company and any of its affiliates, and any reference to “employment” or similar terms shall include a director and/or consulting relationship. All information, trade secrets, designs, ideas, concepts, improvements, product developments, discoveries and inventions, whether patentable or not, that are conceived, made, developed, disclosed to or acquired by Executive, individually or in conjunction with others, during the period of Executive’s employment by the Company (whether during business hours or otherwise and whether on the Company’s premises or otherwise) that relate to the Company’s or any of its affiliates’ businesses, trade secrets, products or services (including, without limitation, all such information relating to corporate opportunities, strategies, business plans, product specifications, compositions, manufacturing and distribution methods and processes, research, financial and sales data, pricing terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or their requirements, the identity of key contacts within the customer’s organizations or within the organization of acquisition prospects, or production, marketing and merchandising techniques, prospective names and marks) and all writings or materials of any type embodying any of such information, ideas, concepts, improvements, discoveries, inventions and other similar forms of expression (collectively, “ **Confidential Information** ”) shall be disclosed to the Company and Executive acknowledges and agrees that Executive shall have no right, title, interest or claim to any Confidential Information. Moreover, all documents, videotapes, written presentations, brochures, drawings, memoranda, notes, records, files, correspondence, manuals, models, specifications, computer programs, E-mail, voice mail, electronic databases, maps, drawings, architectural renditions, models and all other writings or materials of any type embodying any of such information, ideas, concepts, improvements, discoveries, inventions and other similar forms of expression (collectively, “ **Work Product** ”) are and shall be the sole and exclusive property of the Company (or its affiliates). Executive agrees to perform all actions reasonably requested by the Company or its affiliates to establish and confirm such exclusive ownership. Upon termination of Executive’s employment with the Company, for any reason, Executive promptly shall deliver such Confidential Information and Work Product, and all copies thereof, to the Company. Notwithstanding the preceding provisions of this Section 5.1, the term “ **Confidential Information** ” shall not include any information, ideas, concepts, improvements, discoveries, inventions and other similar forms of expression that (a) are generally known or available to the public other than as a result of a disclosure by Executive or anyone to whom Executive transmits such information, ideas, concepts, improvements, discoveries, inventions or other similar forms of expression, (b) were known by Executive prior to February 9, 2012, or (c) become known to Executive after the Date of Termination from a source who is not bound by a confidentiality agreement or other obligation of secrecy with the Company with respect to such matters.

5.2 Disclosure to Executive. The Company shall disclose to Executive and place Executive in a position to have access to or develop Confidential Information and Work Product of the Company (or its affiliates); and shall entrust Executive with business opportunities of the Company (or its affiliates); and shall place Executive in a position to develop business good will on behalf of the Company (or its affiliates).

5.3 No Unauthorized Use or Disclosure . Subject to the provisions of Section 5.5, Executive agrees to preserve and protect the confidentiality of all Confidential Information and Work Product of the Company and its affiliates. Executive agrees that Executive will not, at any time during or after Executive's employment with the Company, make any unauthorized disclosure of, and Executive shall not remove from the Company premises, Confidential Information or Work Product of the Company or its affiliates, or make any use thereof, except, in each case, in the carrying out of Executive's responsibilities hereunder. Subject to the provisions of Section 5.5, Executive shall use all reasonable efforts to cause all persons or entities to whom any Confidential Information shall be disclosed by Executive hereunder to preserve and protect the confidentiality of such Confidential Information. Executive shall have no obligation hereunder to keep confidential any Confidential Information if and to the extent disclosure thereof is specifically required by law; provided, however, that in the event disclosure is required by applicable law, Executive shall provide the Company with prompt notice of such requirement prior to making any such disclosure, so that the Company may seek an appropriate protective order. At the request of the Company at any time, Executive agrees to deliver to the Company all Confidential Information that Executive may possess or control. Executive agrees that all Confidential Information of the Company (whether now or hereafter existing) conceived, discovered or made by Executive during the period of Executive's employment by the Company exclusively belongs to the Company (and not to Executive), and upon request by the Company for specified Confidential Information, Executive will promptly disclose such Confidential Information to the Company and perform all actions reasonably requested by the Company to establish and confirm such exclusive ownership. Affiliates of the Company shall be third party beneficiaries of Executive's obligations under this 0. As a result of Executive's employment by the Company, Executive may also from time to time have access to, or knowledge of, Confidential Information or Work Product of third parties, such as customers, suppliers, partners, joint venturers, and the like, of the Company and its affiliates. Subject to the provisions of Section 5.5, Executive also agrees to preserve and protect the confidentiality of such third party Confidential Information and Work Product.

5.4 Ownership by the Company . If, during Executive's employment by the Company, Executive creates any work of authorship fixed in any tangible medium of expression that is the subject matter of copyright (such as videotapes, written presentations, or acquisitions, computer programs, E-mail, voice mail, electronic databases, drawings, maps, architectural renditions, models, manuals, brochures, or the like) relating to the Company's business, products, or services, whether such work is created solely by Executive or jointly with others (whether during business hours or otherwise and whether on the Company's premises or otherwise), including any Work Product, the Company shall be deemed the author of such work if the work is prepared by Executive in the scope of Executive's employment; or, if the work relating to the Company's business, products, or services is not prepared by Executive within the scope of Executive's employment but is specially ordered by the Company as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, or as an instructional text, then the work shall be considered to be work made for hire and the Company shall be the author of the work. If the work relating to the Company's business, products, or services is neither prepared by Executive within the scope of Executive's employment nor a work specially ordered that is deemed to be a work made for hire during Executive's employment by the Company, then Executive hereby agrees to assign, and by these presents does

assign, to the Company all of Executive's worldwide right, title, and interest in and to such work and all rights of copyright therein.

5.5 Assistance by Executive. During the period of Executive's employment by the Company, Executive shall, at the expense of the Company or its affiliates, assist the Company and its nominee, at any time, in the protection of the Company's or its affiliates' worldwide right, title and interest in and to Confidential Information and Work Product and the execution of all formal assignment documents requested by the Company or its nominee(s) and the execution of all lawful oaths and applications for patents and registration of copyright in the United States and foreign countries. After Executive's employment with the Company terminates, at the request from time to time and expense of the Company or its affiliates, Executive shall assist the Company or its nominee(s) in the protection of the Company's or its affiliates' worldwide right, title and interest in and to Confidential Information and Work Product and the execution of all formal assignment documents requested by the Company or its nominee and the execution of all lawful oaths and applications for patents and registration of copyright in the United States and foreign countries; provided, however, that such assistance from Executive after Executive's employment with the Company terminates shall not require Executive to expend unreasonable periods of time or unreasonably interfere with any obligations Executive may have to provide services to other persons or entities.

5.6 Remedies. Executive acknowledges that money damages would not be a sufficient remedy for any breach of this 0 by Executive, and the Company or its affiliates shall be entitled to enforce the provisions of this 0 by terminating payments then owing to Executive under this Agreement or otherwise and to specific performance and injunctive relief as remedies for such breach or any threatened breach. Such remedies shall not be deemed the exclusive remedies for a breach of this 0 but shall be in addition to all remedies available at law or in equity, including the recovery of damages from Executive and Executive's agents. However, if it is determined that Executive has not committed a breach of this 0, then the Company shall resume the payments and benefits due under this Agreement and pay to Executive and Executive's spouse, if applicable, all payments and benefits that had been suspended pending such determination.

ARTICLE VI

STATEMENTS CONCERNING THE COMPANY and EXECUTIVE

6.1 Statements Concerning the Company. Executive shall refrain, both during and after the termination of the employment relationship, from publishing any oral or written statements about the Company, any of its affiliates or any of the Company's or such affiliates' directors, officers, employees, consultants, agents or representatives that (a) are slanderous, libelous or defamatory, (b) disclose private information or Confidential Information of the Company, any of its affiliates or any of the Company's or any such affiliates' business affairs, directors, officers, employees, consultants, agents or representatives, or (c) place the Company, any of its affiliates, or any of the Company's or any such affiliates' directors, officers, employees, consultants, agents or representatives in a false light before the public. A violation or threatened violation of this prohibition may be enjoined by the courts. The rights afforded the Company and its affiliates under this provision are in addition to any and all rights and remedies otherwise afforded by law.

6.2 Statements Concerning Executive . The Company shall refrain, both during and after the termination of the employment relationship, from publishing any oral or written statements about Executive that (a) are slanderous, libelous or defamatory, (b) disclose private or confidential information about Executive or Executive’s business affairs, or (c) place Executive in a false light before the public. A violation or threatened violation of this prohibition may be enjoined by the courts. The rights afforded Executive under this provision are in addition to any and all rights and remedies otherwise afforded by law.

ARTICLE VII
EFFECT OF TERMINATION OF EMPLOYMENT ON COMPENSATION

7.1 Effect of Termination of Employment on Compensation .

(a) If Executive’s employment hereunder shall terminate at the expiration of the term provided in Section 3.1 because Executive provided written notice of non-renewal to the Company, for any reason described in Section 0, 0, or 0 or pursuant to Executive’s resignation for other than Good Reason, then all compensation and all benefits to Executive hereunder shall terminate contemporaneously with such termination of employment, except that Executive’s equity incentive awards shall be governed by the terms thereof (subject to clause (v) below) and Executive shall be entitled to (i) payment of all accrued and unpaid Base Salary to the Date of Termination (or, to the extent specifically provided in Section 3.3, to the Specified Date of Termination), (ii) reimbursement for all incurred but unreimbursed expenses for which Executive is entitled to reimbursement in accordance with Section 0, (iii) payment of all accrued and unused paid vacation for the calendar year in which the Date of Termination occurs, (iv) benefits to which Executive is entitled under the terms of any applicable benefit plan or program, (v) if such termination is a result of Executive’s resignation for other than Good Reason and if the Company required a Date of Termination prior to the Specified Date of Termination pursuant to Section 3.3, then the Company shall cause all stock options and other equity-based incentive awards, if any, awarded to Executive by the Company that become vested based solely on continued employment to have the same vesting status as of the Date of Termination as Executive would have achieved under the terms of such awards had Executive remained continuously employed by the Company until the Specified Date of Termination, and (vi) if, on the Date of Termination, the Company does not have a right to terminate Executive’s employment under Section 3.2(c), any unpaid Annual Bonus for the calendar year ending on or prior to the Date of Termination (or, to the extent specifically provided in Section 3.3, ending on or prior to the Specified Date of Termination), which amount shall be payable in a lump-sum on the date such annual bonuses are paid to executives who have continued employment with the Company (provided, however, that if Executive is a specified employee (as such term is defined in section 409A of the Code and as determined by the Company in accordance with any method permitted under section 409A of the Code (a “ *Specified Employee* ”)) and the payment of the amount described in this clause (vi) would be subject to additional taxes and interest under section 409A of the Code because the timing of such payment is not delayed as provided in section 409A(a)(2)(B)(i) of the Code and the regulations thereunder, then such amount (together with interest on a non-compounded basis, from the date such payment would have been made had this payment delay not applied to the actual date of payment, at the prime rate of interest announced by

Wells Fargo Bank, National Association (or any successor thereto) at its principal office in Charlotte, North Carolina on the date of Executive's termination of employment (or the first business day following such date if such termination does not occur on a business day) (the "**Applicable Rate**") shall be paid within five business days after the Section 409A Payment Date).

(b) If Executive's employment hereunder shall terminate at expiration of the term provided in Section 3.1 because the Company provided written notice of non-renewal to Executive, pursuant to Executive's resignation for Good Reason or by action of the Company pursuant to Section 0 for any reason other than those encompassed by Section 0, 0, or 0, then all compensation and all benefits to Executive hereunder shall terminate contemporaneously with such termination of employment, except that Executive's equity incentive awards shall be governed by the terms thereof and (i) Executive shall be entitled to receive the compensation and benefits described in clauses **Error! Reference source not found.** through (iv) of Section 0, (ii) if, on the Date of Termination, the Company does not have a right to terminate Executive's employment under Section 3.2(c), Executive shall be entitled to receive the compensation described in clause (vi) of Section 7.1(a), and (iii) if, on the Date of Termination, the Company does not have a right to terminate Executive's employment under Section 0, 0, or 0 and subject to Executive's delivery, within 50 days after the Date of Termination, and non-revocation of an executed release substantially in the form of the release contained at Appendix B (the "**Release**"), Executive shall receive the following additional compensation and benefits from the Company:

(A) the Company shall pay to Executive a bonus for the calendar year in which the Date of Termination occurs in an amount equal to the Annual Bonus for such year as determined in good faith by the Board in accordance with the criteria established pursuant to Section 0 and based on the Company's performance for such year, which amount shall be prorated through and including the Date of Termination (based on the ratio of the number of days Executive was employed by the Company during such year (or, to the extent specifically provided in Section 3.3, the number of days Executive would have been employed by the Company during such year as of the Specified Date of Termination) to the number of days in such year), payable in a lump-sum on or before the date such annual bonuses are paid to executives who have continued employment with the Company (but in no event earlier than 60 days after the Date of Termination nor later than the June 30 next following such calendar year); provided, however, that if Executive is a Specified Employee and the payment of the amount described in this clause (A) would be subject to additional taxes and interest under section 409A of the Code because the timing of such payment is not delayed as provided in section 409A(a)(2)(B)(i) of the Code and the regulations thereunder, then such amount (together with interest on a non-compounded basis, from the date such payment would have been made had this payment delay not applied to the actual date of payment, at the Applicable Rate) shall be paid within five business days after the Section 409A Payment Date;

(B) the Company shall pay to Executive an amount equal to the Severance Multiple times the sum of (i) Executive's Base Salary as of the Date of

Termination and (ii) 60% of Executive's Base Salary as of the Date of Termination, which amount shall be paid in a lump sum payment on the date that is 60 days after the Date of Termination occurs; and

(C) during the portion, if any, of the 18-month period following the Date of Termination that Executive elects to continue coverage for Executive and Executive's spouse and eligible dependents, if any, under the Company's group health plans under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (COBRA), and/or sections 601 through 608 of the Employee Retirement Income Security Act of 1974, as amended, the Company shall promptly reimburse Executive on a monthly basis for the difference between the amount Executive pays to effect and continue such coverage and the employee contribution amount that active senior executive employees of the Company pay for the same or similar coverage under such group health plans. Notwithstanding the preceding provisions of this clause (C), if the provision of the benefit described in such clause cannot be provided in the manner described in such clause without penalty, tax or other adverse impact on the Company, then the Company and Executive shall negotiate in good faith to determine an alternative manner in which the Company may provide a substantially equivalent benefit to Executive without such adverse impact on the Company.

ARTICLE VIII

NON-COMPETITION AGREEMENT

8.1 Definitions . As used in this 0, the following terms shall have the following meanings:

“ **Business** ” means (a) during the period of Executive's employment by the Company, the design, manufacture and supply of products and services provided by the Company and its subsidiaries during such period and other products and services that are functionally equivalent to the foregoing, and (b) during the portion of the Prohibited Period that begins on the termination of Executive's employment with the Company, the design, manufacture and supply of products and services provided by the Company and its subsidiaries at the time of such termination of employment (or, if earlier, at the time immediately preceding the date upon which a Change in Control occurs) and other products and services that are functionally equivalent to the foregoing.

“ **Competing Business** ” means any business, individual, partnership, firm, corporation or other entity (other than an affiliate of the Company, L.E. Simmons & Associates, Incorporated (“ **LESA** ”) and its affiliates, or another entity in which SCF-V, L.P., a Delaware limited partnership, SCF-VI, L.P., a Delaware limited partnership, SCF-VII, L.P., a Delaware limited partnership, or any future limited partnership established by an affiliate of LESA has an ownership interest) which wholly or in any significant part engages in any business competing with the Business in the Restricted Area. In no event will the Company or any of its subsidiaries be deemed a Competing Business.

“ **Governmental Authority** ” means any governmental, quasi-governmental, state, county, city or other political subdivision of the United States or any other country, or any agency, court or instrumentality, foreign or domestic, or statutory or regulatory body thereof.

“ **Legal Requirement** ” means any law, statute, code, ordinance, order, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, authorization, or other directional requirement (including, without limitation, any of the foregoing that relates to environmental standards or controls, energy regulations and occupational, safety and health standards or controls including those arising under environmental laws) of any Governmental Authority.

“ **Prohibited Period** ” means the period during which Executive is employed by the Company hereunder and a period of two years following the end of Executive’s employment with the Company.

“ **Restricted Area** ” means any geographical area within 100 miles in which the Company and its subsidiaries engage in the Business during the period during which Executive is employed hereunder, which such area includes, without limitation, the geographic areas set forth on Appendix C hereto.

8.2 Non-Competition; Non-Solicitation. Executive and the Company agree to the non-competition and non-solicitation provisions of this 0 in consideration for the Confidential Information provided by the Company to Executive pursuant to Article V of this Agreement, to protect the trade secrets and confidential information of the Company or its affiliates disclosed or entrusted to Executive by the Company or its affiliates or created or developed by Executive for the Company or its affiliates, to protect the business goodwill of the Company or its affiliates developed through the efforts of Executive and/or the business opportunities disclosed or entrusted to Executive by the Company or its affiliates and as an additional incentive for the Company to enter into this Agreement.

(a) Subject to the exceptions set forth in Section 0 below, Executive expressly covenants and agrees that during the Prohibited Period (i) Executive will refrain from carrying on or engaging in, directly or indirectly, any Competing Business in the Restricted Area (excluding hiring, engaging or paying a Competing Business as a contractor or subcontractor for services) and (ii) Executive will not, and Executive will cause Executive’s affiliates not to, directly or indirectly, own, manage, operate, join, become an employee of, partner in, owner or member of (or an independent contractor to), control or participate in, be connected with or loan money to, sell or lease equipment or property to, or otherwise be affiliated with any business, individual, partnership, firm, corporation or other entity which engages in a Competing Business in the Restricted Area, as Executive expressly agrees that each of the foregoing activities would represent carrying on or engaging in a Competitive Business, as prohibited by this Section 8.2(a).

(b) Notwithstanding the restrictions contained in Section 0: (i) Executive or any of Executive’s affiliates may own an aggregate of not more than 2% of the outstanding stock of any class of any corporation engaged in a Competing Business, if such stock is listed on a national securities exchange or regularly traded in the over-the-counter market

by a member of a national securities exchange, without violating the provisions of Section 0, provided that neither Executive nor any of Executive's affiliates has the power, directly or indirectly, to control or direct the management or affairs of any such corporation and is not involved in the management of such corporation (except to the extent permitted in clause (ii) of this sentence); and (ii) Executive may serve in a senior executive or director capacity for a corporation which (directly or through its subsidiaries) is engaged in a Competing Business, without violating the provisions Section 0, provided that the revenues attributable to such Competing Business for the four fiscal quarters of such corporation ending on or before the date of the commencement of Executive's service in such capacity comprise less than 10% of the consolidated total revenue of such corporation for such four fiscal quarters.

(c) Executive further expressly covenants and agrees that during the Prohibited Period, Executive will not, and Executive will cause Executive's affiliates not to (i) engage or employ, solicit or contact with a view to the engagement or employment of, or recommend or refer to any person or entity (other than the Company or one of its affiliates) for engagement or employment any person who is an officer or employee of the Company or any of its affiliates or (ii) canvass, solicit, approach or entice away or cause to be canvassed, solicited, approached or enticed away from the Company or any of its affiliates any person or entity who or which is a customer of any of such entities during the period during which Executive is employed by the Company.

(d) The restrictions contained in Section 0 shall not apply to any product or service that the Company provided during Executive's employment but that the Company no longer provides at the Date of Termination. Further, notwithstanding the other provisions of this Section 8.2, within the State of Oklahoma, the restrictions of Sections 8.2(a) and 8.2(c)(ii) shall be limited to preventing Executive from directly soliciting the sale of goods, services or a combination of goods and services from any established customer of the Company, as may exist from time-to-time.

(e) Before accepting employment with any other person or entity while employed by the Company or during the Prohibited Period, the Executive will inform such person or entity of the restrictions contained in this Article VIII.

8.3 Relief. Executive and the Company agree and acknowledge that the limitations as to time, geographical area and scope of activity to be restrained as set forth in Section 0 are reasonable and do not impose any greater restraint than is necessary to protect the legitimate business interests of the Company. Executive and the Company also acknowledge that money damages would not be sufficient remedy for any breach of this 0 by Executive, and the Company or its affiliates shall be entitled to enforce the provisions of this 0 by terminating payments then owing to Executive under this Agreement or otherwise and to specific performance and injunctive relief as remedies for such breach or any threatened breach. Such remedies shall not be deemed the exclusive remedies for a breach of this 0 but shall be in addition to all remedies available at law or in equity, including the recovery of damages from Executive and Executive's agents. However, if it is determined that Executive has not committed a breach of this 0, then the Company shall resume the payments and benefits due under this Agreement and promptly pay to Executive all payments (together with interest on a non-compounded basis, from the date each such payment

would have been made had such payment not been suspended to the actual date of payment, at the Applicable Rate) and benefits that had been suspended pending such determination.

8.4 Reasonableness; Enforcement. Executive hereby represents to the Company that Executive has read and understands, and agrees to be bound by, the terms of this 0. Executive acknowledges that the geographic scope and duration of the covenants contained in this 0 are the result of arm's-length bargaining and are fair and reasonable in light of (a) the nature and wide geographic scope of the operations of the Business, (b) Executive's level of control over and contact with the Business in all jurisdictions in which it is conducted, (c) the fact that the Business is conducted throughout the Restricted Area and (d) the amount of Confidential Information that Executive is receiving in connection with the performance of Executive's duties hereunder. It is the desire and intent of the parties that the provisions of this 0 be enforced to the fullest extent permitted under applicable Legal Requirements, whether now or hereafter in effect and therefore, to the extent permitted by applicable Legal Requirements, Executive and the Company hereby waive any provision of applicable Legal Requirements that would render any provision of this 0 invalid or unenforceable.

8.5 Reformation. The Company and Executive agree that the foregoing restrictions are reasonable under the circumstances and that any breach of the covenants contained in this 0 would cause irreparable injury to the Company. Executive understands that the foregoing restrictions may limit Executive's ability to engage in certain businesses anywhere in the Restricted Area during the Prohibited Period, but acknowledges that Executive will receive sufficient consideration from the Company to justify such restriction. Further, Executive acknowledges that Executive's skills are such that Executive can be gainfully employed in non-competitive employment, and that the agreement not to compete will not prevent Executive from earning a living. Nevertheless, if any of the aforesaid restrictions are found by a court of competent jurisdiction to be unreasonable, or overly broad as to geographic area or time, or otherwise unenforceable, the parties intend for the restrictions herein set forth to be modified by the court making such determination so as to be reasonable and enforceable and, as so modified, to be fully enforced. By agreeing to this contractual modification prospectively at this time, the Company and Executive intend to make this provision enforceable under the law or laws of all applicable States, Provinces and other jurisdictions so that the entire agreement not to compete and this Agreement as prospectively modified shall remain in full force and effect and shall not be rendered void or illegal. Such modification shall not affect the payments made to Executive under this Agreement.

ARTICLE IX DISPUTE RESOLUTION

9.1 Arbitration. All claims or disputes between Executive and the Company or its parents, subsidiaries and affiliates (including, without limitation, claims relating to the validity, scope, and enforceability of this 0 and claims arising under any federal, state or local law regarding the terms and conditions of employment or prohibiting discrimination in employment or governing the employment relationship in any way) shall be submitted for final and binding arbitration in Houston, Texas in accordance with the then-applicable rules for resolution of employment disputes of the American Arbitration Association ("AAA"). The arbitration shall be conducted by a single arbitrator chosen pursuant to the then-applicable rules for resolution of employment disputes of

the AAA, and the Company shall bear the costs of such arbitration. For the avoidance of doubt, the Company's assumption of costs referenced in the previous sentence applies to the costs of the AAA only, and does not include attorney or expert fees or other fees or costs incurred by Executive. The arbitrator shall apply the substantive law of the State of Texas (excluding Texas choice-of-law principles that might call for the application of some other state's law), or federal law, or both as applicable to the claims asserted. The results of the arbitration and the decision of the arbitrator will be final and binding on the parties and each party agrees and acknowledges that these results shall be enforceable in a court of law. No demand for arbitration may be made after the date when the institution of legal or equitable proceedings based on such claim or dispute would be barred by the applicable statute(s) of limitations. In the event either party must resort to the judicial process to enforce the provisions of this Agreement, the award of an arbitrator or equitable relief granted by an arbitrator, the party successfully seeking enforcement shall be entitled to recover from the other party all costs of such litigation including, but not limited to, reasonable attorneys fees and court costs.

To the fullest extent permitted by law, all proceedings conducted pursuant to this agreement to arbitrate, including any order, decision or award of the arbitrator, shall be kept confidential by all parties. Notwithstanding the foregoing, Executive and the Company further acknowledge and agree that a court of competent jurisdiction residing in Houston, Texas shall have the power to maintain the status quo pending the arbitration of any dispute under this 0, and this 0 shall not require the arbitration of any application for emergency, temporary or preliminary injunctive relief (including temporary restraining orders) by either party pending arbitration, including, without limitation, any application for emergency, temporary or preliminary injunctive relief for any claim arising out of Article V or Article VIII of this Agreement; provided, however, that the remainder of any such dispute beyond the application for such emergency, temporary or preliminary injunctive relief shall be subject to arbitration under this 0.

THE PARTIES ACKNOWLEDGE THAT, BY SIGNING THIS AGREEMENT, THEY ARE KNOWINGLY AND VOLUNTARILY WAIVING ANY RIGHTS THAT THEY MAY HAVE TO A JURY TRIAL OR, EXCEPT AS EXPRESSLY PROVIDED HEREIN, A COURT TRIAL OF ANY CLAIM THAT IS SUBJECT TO THIS ARTICLE IX.

ARTICLE X CERTAIN EXCISE TAXES

10.1 Certain Excise Taxes. Notwithstanding anything to the contrary in this Agreement, if Executive is a "disqualified individual" (as defined in section 280G(c) of the Code), and the payments and benefits provided for in this Agreement, together with any other payments and benefits which Executive has the right to receive from the Company or any of its affiliates, would constitute a "parachute payment" (as defined in section 280G(b)(2) of the Code), then the payments and benefits provided for in this Agreement shall be either (a) reduced (but not below zero) so that the present value of such total amounts and benefits received by Executive from the Company and its affiliates will be one dollar (\$1.00) less than three times Executive's "base amount" (as defined in section 280G(b)(3) of the Code) and so that no portion of such amounts and benefits received by Executive shall be subject to the excise tax imposed by section 4999 of the Code or (b) paid in full, whichever produces the better net after-tax position to Executive (taking into account any applicable excise tax under section 4999 of the Code and any other applicable taxes). The reduction of payments and benefits hereunder, if applicable, shall be made by reducing, first, payments or benefits to be paid in cash hereunder in the order in which such

payment or benefit would be paid or provided (beginning with such payment or benefit that would be made last in time and continuing, to the extent necessary, through to such payment or benefit that would be made first in time) and, then, reducing any benefit to be provided in-kind hereunder in a similar order. The determination as to whether any such reduction in the amount of the payments and benefits provided hereunder is necessary shall be made by the Company in good faith. If a reduced payment or benefit is made or provided and through error or otherwise that payment or benefit, when aggregated with other payments and benefits from the Company (or its affiliates) used in determining if a "parachute payment" exists, exceeds one dollar (\$1.00) less than three times Executive's base amount, then Executive shall immediately repay such excess to the Company upon notification that an overpayment has been made. Nothing in this Section 10.1 shall require the Company to be responsible for, or have any liability or obligation with respect to, Executive's excise tax liabilities under section 4999 of the Code. Notwithstanding the foregoing, if shareholder approval (obtained in a manner that satisfies the requirements of section 280G(b)(5) of the Code) of a payment or benefit to be provided to Executive by the Company or any other person (whether under this Agreement or otherwise) would prevent Executive from receiving a "parachute payment" (as defined in section 280G(b)(2) of the Code), then, upon the request of Executive and his agreement (to the extent necessary) to subject his entitlement to the receipt of such payment or benefit to shareholder approval, the Company shall seek such approval in a manner that satisfies the requirements of section 280G of the Code and the regulations thereunder.

ARTICLE XI
MISCELLANEOUS

11.1 Notices. For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given (a) when received if delivered personally or by courier, (b) on the date receipt is acknowledged if delivered by certified mail, postage prepaid, return receipt requested or (c) one day after transmission if sent by facsimile transmission with confirmation of transmission, as follows:

If to Executive, addressed to:

Mr. David J. Nightingale
12806 Rock Falls Way
Houston, TX 77041

If to the Company, addressed to:

Rockwater Energy Solutions, Inc.
2801 Post Oak Blvd., Suite 400
Houston, Texas 77056
Attention: Chief Executive Officer
Fax: 713-235-9450

or to such other address as either party may furnish to the other in writing in accordance herewith, except that notices or changes of address shall be effective only upon receipt.

11.2 Applicable Law; Submission to Jurisdiction

(a) This Agreement is entered into under, and shall be governed for all purposes by, the laws of the State of Texas, without regard to conflicts of laws principles thereof.

(b) With respect to any claim or dispute related to or arising under this Agreement for which an application for emergency or temporary injunctive relief may be made (as provided in Article IX), the parties hereto hereby consent to the exclusive jurisdiction, forum and venue of the state and federal courts located in Harris County, Texas.

11.3 No Waiver. No failure by either party hereto at any time to give notice of any breach by the other party of, or to require compliance with, any condition or provision of this Agreement shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

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

11.5 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement.

11.6 Withholding of Taxes and Other Employee Deductions. The Company may withhold from any benefits and payments made pursuant to this Agreement all federal, state, city and other taxes and withholdings as may be required pursuant to any law or governmental regulation or ruling and all other customary deductions made with respect to the Company's employees generally.

11.7 Headings. The Section headings have been inserted for purposes of convenience and shall not be used for interpretive purposes.

11.8 Gender and Plurals. Wherever the context so requires, the masculine gender includes the feminine or neuter, and the singular number includes the plural and conversely.

11.9 Affiliate and Subsidiary. As used in this Agreement, (a) the term "*affiliate*" as used with respect to a particular person or entity shall mean any other person or entity which owns or controls, is owned or controlled by, or is under common ownership or control with, such particular person or entity and (b) the term "*subsidiary*" as used with respect to a particular entity shall mean a direct or indirect subsidiary of such entity.

11.10 Successors. This Agreement shall be binding upon and inure to the benefit of the Company and any successor of the Company. Except as provided in the preceding sentence, this Agreement, and the rights and obligations of the parties hereunder, are personal and neither this Agreement, nor any right, benefit or obligation of either party hereto, shall be subject to voluntary or involuntary assignment, alienation or transfer, whether by operation of law or otherwise,

without the prior written consent of the other party. In addition, any payment owed to Executive hereunder after the date of Executive's death shall be paid to Executive's estate.

11.11 Effect of Termination of Employment Relationship. The provisions of Articles 0, 0, 0, 0, 0, X and XI shall survive any termination of the employment relationship between Executive and the Company.

11.12 Entire Agreement. Except as provided in any signed written agreement contemporaneously or hereafter executed by the Company and Executive and except for the agreements described on Appendix D attached hereto, this Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to employment of Executive by the Company. Without limiting the scope of the preceding sentence, all understandings and agreements preceding the date of execution of this Agreement and relating to the subject matter hereof including, without limitation, any prior employment agreement between Executive and the Company or an affiliate, are hereby null and void and of no further force and effect.

11.13 Modification; Waiver. Any modification to or waiver of this Agreement will be effective only if it is in writing and signed by the parties to this Agreement.

11.14 Actions by the Board. Any and all determinations or other actions required of the Board hereunder that relate specifically to Executive's employment by the Company or the terms and conditions of such employment shall be made by the members of the Board other than Executive if Executive is a member of the Board, and Executive shall not have any right to vote or decide upon any such matter.

11.15 Executive's Representations and Warranties. Executive represents and warrants to the Company that (a) Executive does not have any agreements with Executive's prior employer that will prohibit Executive from working for the Company or fulfilling Executive's duties and obligations to the Company pursuant to this Agreement, and (b) Executive has complied with all duties imposed on Executive with respect to Executive's former employer, e.g., Executive does not possess any tangible property belonging to Executive's former employer.

11.16 Delayed Payment Restriction. Notwithstanding any provision in this Agreement to the contrary, if any payment or benefit provided for herein would be subject to additional taxes and interest under section 409A of the Code if Executive's receipt of such payment or benefit is not delayed until the Section 409A Payment Date, then such payment or benefit shall not be provided to Executive (or Executive's estate, if applicable) until the Section 409A Payment Date.

[Signatures begin on next page.]

IN WITNESS WHEREOF , the parties hereto have executed this Agreement as of April ____, 2012.

ROCKWATER ENERGY SOLUTIONS, INC.

By: _____
Lawrence O'Donnell, III
Chairman, President & CEO

DAVID J. NIGHTINGALE

APPENDIX A

PERMITTED ACTIVITIES

As of the Effective Date, Executive is serving on the board of directors or similar governing body of the following entities:

NONE |

APPENDIX B

RELEASE AGREEMENT

This Release Agreement (this “*Agreement*”) constitutes the release referred to in that certain Employment Agreement (the “*Employment Agreement*”) dated as of April __, 2012, by and between David J. Nightingale (“*Executive*”) and Rockwater Energy Solutions, Inc. (the “*Company*”).

1. General Release.

(a) For good and valuable consideration, including the Company’s provision of certain payments and benefits to Executive in accordance with Section 7.1(b)(iii) of the Employment Agreement, Executive hereby releases, discharges and forever acquits the Company, its affiliates and subsidiaries, the past, present and future stockholders, members, partners, directors, managers, employees, agents, attorneys, heirs, legal representatives, successors and assigns of the foregoing, as well as all employee benefit plans maintained by the Company or any of its affiliates or subsidiaries and all fiduciaries and administrators of any such plan, in their personal and representative capacities (collectively, the “*Company Parties*”), from liability for, and hereby waives, any and all claims, rights, damages, or causes of action of any kind related to Executive’s employment with any Company Party, the termination of such employment, and any other acts or omissions related to any matter on or prior to the date of this Agreement (collectively, the “*Released Claims*”).

(b) The Released Claims include without limitation those arising under or related to: (i) the Age Discrimination in Employment Act of 1967; (ii) Title VII of the Civil Rights Act of 1964; (iii) the Civil Rights Act of 1991; (iv) sections 1981 through 1988 of Title 42 of the United States Code; (v) the Employee Retirement Income Security Act of 1974, including, but not limited to, sections 502(a)(1)(A), 502(a)(1)(B), 502(a)(2), and 502(a)(3) to the extent the release of such claims is not prohibited by applicable law; (vi) the Immigration Reform Control Act; (vii) the Americans with Disabilities Act of 1990; (viii) the National Labor Relations Act; (ix) the Occupational Safety and Health Act; (x) the Family and Medical Leave Act of 1993; (xi) any state or federal anti-discrimination law; (xii) any state or federal wage and hour law; (xiii) any other local, state or federal law, regulation or ordinance; (xiv) any public policy, contract, tort, or common law; (xv) costs, fees, or other expenses including attorneys’ fees incurred in these matters; (xvi) any employment contract, incentive compensation plan or stock option plan with any Company Party or to any ownership interest in any Company Party except as expressly provided in the Employment Agreement, any stock option agreement, any stockholders agreement or other equity compensation agreement between Executive and the Company; and (xvii) compensation or benefits of any kind from any Company Party (other than benefits vested as of the date of this Agreement) not expressly set forth in the Employment Agreement or any such stock option or other equity compensation agreement.

(c) In no event shall the Released Claims include (i) any claim which arises after the date of this Agreement, (ii) any claims for the payments and benefits payable to Executive under Section 7.1(b) of the Employment Agreement, (iii) any claims to the equity interests in the Company Parties that Executive holds as of the date of this Agreement which remain subject to

the terms and conditions, as applicable, of the Company's stockholders agreement (as may be amended from time to time) and any specific equity award agreement between Executive and a Company Party, and (iv) any claim for or right to indemnification under the policies or governing instruments of the Company Parties and for coverage under any directors and officers liability insurance policies maintained by the Company Parties.

(d) Notwithstanding this release of liability, nothing in this Agreement prevents Executive from filing any non-legally waivable claim (including a challenge to the validity of this Agreement) with the Equal Employment Opportunity Commission ("EEOC") or comparable state or local agency or participating in any investigation or proceeding conducted by the EEOC or comparable state or local agency; however, Executive understands and agrees that Executive is waiving any and all rights to recover any monetary or personal relief or recovery as a result of such EEOC, or comparable state or local agency proceeding or subsequent legal actions.

(e) This Agreement is not intended to indicate that any such claims exist or that, if they do exist, they are meritorious. Rather, Executive is simply agreeing that, in exchange for the consideration recited in the first sentence of Section 1(a) of this Agreement, any and all potential claims of this nature that Executive may have against the Company Parties, regardless of whether they actually exist, are expressly settled, compromised and waived.

(f) By signing this Agreement, Executive is bound by it. Anyone who succeeds to Executive's rights and responsibilities, such as heirs or the executor of Executive's estate, is also bound by this Agreement. This release also applies to any claims brought by any person or agency or class action under which Executive may have a right or benefit. **THIS RELEASE INCLUDES MATTERS ATTRIBUTABLE TO THE SOLE OR PARTIAL NEGLIGENCE (WHETHER GROSS OR SIMPLE) OR OTHER FAULT, INCLUDING STRICT LIABILITY, OF ANY OF THE COMPANY PARTIES.**

2. **Covenant Not to Sue; Executive's Representation**. Executive agrees not to bring or join any lawsuit against any of the Company Parties in any court relating to any of the Released Claims. Executive represents that Executive has not brought or joined any claim, lawsuit or arbitration against any of the Company Parties in any court or before any administrative agency or arbitral authority and has made no assignment of any rights Executive has asserted or may have against any of the Company Parties to any person or entity, in each case, with respect to any Released Claims.

3. **Acknowledgments**. By executing and delivering this Agreement, Executive acknowledges that:

(a) Executive has carefully read this Agreement;

(b) Executive has had at least [twenty-one (21)] [forty-five (45)] days to consider this Agreement before the execution and delivery hereof to the Company [Add if 45 days applies:], and Executive acknowledges that attached to this Agreement is a list provided to Executive by the Company of (i) the job titles and ages of all employees selected for participation in the employment termination or exit incentive program pursuant to which Executive is being offered this Agreement, (ii) the job titles and ages of all employees in the same job classification

APPENDIX C
RESTRICTED AREA

COUNTRY/STATE	COUNTY/PARISH/PROVINCE		
CANADA	Alberta British Columbia Saskatchewan		
ALASKA	North Slope		
ARKANSAS	Cleburne Columbia Conway Craighead Crawford Faulkner Franklin Fulton Independence Johnson Lafayette	Logan Miller Nevada Ouachita Pope Pulaski Sebastian Union Van Buren White	
COLORADO	Adams Garfield Mesa Morgan Rio Blanco Weld		
FLORIDA	Duval		
ILLINOIS	McLean		
KANSAS	Barber Butler Chase Chautauqua Clark Coffey Comanche Cowley Dickinson Elk Ellis Finney	Grant Greenwood Harper Harvey Haskell Kingman Kiowa Labette Marion McPherson Meade Montgomery	Morris Morton Neosho Pratt Reno Rice Saline Sedgwick Seward Stafford Stevens Sumner

COUNTRY/STATE	COUNTY/PARISH/PROVINCE		
LOUISIANA	Acadia Bienville Bossier Caddo Calcasieu Cameron Claiborne DeSoto Iberia Jefferson Davis Lafayette	Lafourche Natchitoches Plaquemines Red River Sabine St. Landry St. Martin St. Mary Terrebonne Vermillion Webster	
MASSACHUSETTS	Middlesex Worcester		
MICHIGAN	Kalkaska Otsego		
MISSISSIPPI	Marion		
MISSOURI	Perry		
MONTANA	Sheridan Roosevelt Richland		
NEBRASKA	Douglas		
NEVADA	Washoe		
NEW HAMPSHIRE	Hillsborough Rockingham		
NEW MEXICO	Bernalillo Catron Chaves Cibola Colfax Curry De Baca Dona Ana Eddy Grant Guadalupe	Harding Hidalgo Lea Lincoln Luna McKinley Mora Otero Quay Rio Arriba Roosevelt	San Juan San Miguel Sandoval Santa Fe Sierra Socorro Taos Torrance Union Valencia
NEW YORK	Cattaraugus Chautauqua Chemung Chenango Cortland Delaware Erie Ostego Steuben Tioga		

COUNTRY/STATE	COUNTY/PARISH/PROVINCE			
NORTH DAKOTA	Adams Billings Bottineau Bowman Burke Burleigh Divide Dunn Golden Valley Grant Hettinger McHenry McKenzie	McLean Mercer Morton Mountrail Oliver Pierce Renville Rolette Sheridan Sioux Slope Stark Ward Williams		
OHIO	Allen Coshocton Cuyahoga Guernsey Harrison Knox Licking Morgan Portage Trumbull Washington Wayne			
OKLAHOMA	Alfalfa Atoka Beaver Beckham Blaine Bryan Caddo Canadian Carter Cimarron Cleveland Coal Comanche Cotton Creek Custer Dewey El Reno	Ellis Garfield Garvin Grady Grant Greer Harmon Harper Haskell Hughes Jackson Jefferson Kay Kingfisher Kiowa Latimer LeFlore	Lincoln Logan Love Major Marshall Mayes McClain McCurtain McIntosh Murray Noble Nowata Okfuskee Oklahoma Okmulgee Osage Pawnee	Payne Pittsburg Pontotoc Pottawatomie Roger Mills Rogers Seminole Sequoyah Stephens Texas Tillman Tulsa Wagoner Washington Washita Woods Woodward

COUNTRY/STATE	COUNTY/PARISH/PROVINCE				
PENNSYLVANIA	Allegheny Armstrong Beaver Bedford Berks Bradford Butler Cambria Cameron Centre Chester	Clarion Clearfield Clinton Columbia Crawford Elk Fayette Forest Fulton Greene Indiana	Jefferson Lackawanna Lawrence Lebanon Luzerne Lycoming McKean Mercer Montour Pittsburg Potter	Somerset Sullivan Susquehanna Tioga Venango Warren Washington Wayne Westmoreland Wetzel Wyoming	
TENNESSEE	Shelby				
TEXAS	Anderson Andrews Archer Armstrong Atascosa Bailey Baylor Bee Bexar Borden Bosque Bowie Brazoria Brazos Brewster Briscoe Brooks Brown Burlison Callahan Cameron Carson Cass Castro Cherokee Childress Clay Cochran Coke Coleman Collingsworth Comanche Concho Cooke Cottle Crane Crockett	Crosby Culberson Dallam Dawson Deaf Smith Denton DeWitt Dickens Dimmit Donley Duval Eastland Ector Edwards Ellis Erath Fayette Fisher Floyd Foard Fort Bend Freestone Frio Gaines Garza Glasscock Goliad Gonzales Gray Grayson Gregg Hale Hall Hamilton Hansford Hardeman Harris	Harrison Hartley Haskell Hemphill Hidalgo Hill Hockley Hood Houston Howard Hutchinson Irion Jack Jackson Jeff Davis Jefferson Jim Hogg Jim Wells Johnson Jones Karnes Kenedy Kent Kimble King Kinney Kleberg Knox La Salle Lamb Lavaca Leon Limestone Lipscomb Live Oak Loving Lubbock	Lynn Marion Martin Maverick McCulloch McMullen Medina Menard Midland Mitchell Montague Moore Motley Nacogdoches Nolan Nueces Ochiltree Oldham Orange Palo Pinto Panola Parker Parmer Pecos Potter Randall Reagan Reeves Refugio Roberts Robertson Runnels Rusk Sabine San Augustine San Patricio Schleicher	Scurry Shackelford Shelby Sherman Somervell Smith Starr Stephens Sterling Stonewall Sutton Swisher Tarrant Taylor Terrell Terry Throckmorton Tom Green Upton Uvalde Val Verde Victoria Ward Webb Wheeler Wichita Wilbarger Willacy Wilson Winkler Wise Wood Yoakum Young Zapata Zavala

COUNTRY/STATE	COUNTY/PARISH/PROVINCE	
UTAH	Uintah	
VIRGINIA	Wise	
WASHINGTON	Jefferson Pierce	
WEST VIRGINIA	Barbour Boone Braxton Calhoun Clay Doddridge Gilmer Harrison Kanawha Lewis Lincoln Logan Marion Marshall	Monongalia Ohio Preston Putnam Raleigh Ritchie Roane Taylor Tyler Upshur Wetzel Wirt Wood Wyoming
WYOMING	Campbell Converse Fremont Natrona Sweetwater Washakie	

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (“ *Agreement* ”) is made by and between Rockwater Energy Solutions, Inc. (the “ *Company* ”), and Paul Pistono (“ *Executive* ”).

WITNESSETH:

WHEREAS , the Company desires to employ Executive on the terms and conditions, and for the consideration, hereinafter set forth and Executive desires to be employed by the Company on such terms and conditions and for such consideration.

NOW, THEREFORE , for and in consideration of the mutual promises, covenants and obligations contained herein, the Company and Executive agree as follows:

ARTICLE I
DEFINITIONS

In addition to the terms defined in the body of this Agreement, for purposes of this Agreement, the following capitalized words shall have the meanings indicated below:

1.1 “ *Acquiring Person* ” shall mean any individual, entity or group (within the meaning of section 13(d)(3) or 14(d)(2) of the Exchange Act) other than the Initial Stockholders.

1.2 “ *Board* ” shall mean the Board of Directors of the Company.

1.3 “ *Cause* ” shall mean a determination by the Company that Executive (a) has engaged in gross negligence or willful misconduct in the performance of Executive’s duties with respect to the Company or any of its affiliates, (b) has materially breached any material provision of this Agreement or any written agreement or corporate policy or code of conduct established by the Company or any of its affiliates, (c) has willfully engaged in conduct that is materially injurious to the Company or any of its affiliates, or (d) has been convicted of, pleaded no contest to or received adjudicated probation or deferred adjudication in connection with a felony involving fraud, dishonesty or moral turpitude (or a crime of similar import in a foreign jurisdiction).

1.4 “ *Change in Control* ” shall mean, as applicable:

(a) Prior to the common stock of the Company becoming Public Stock (including any transaction pursuant to which the common stock of the Company first becomes Public Stock), a “Change in Control” of the Company shall mean, in one transaction or a series of related transactions, (A) a Corporate Transaction or a sale of capital stock of the Company by stockholders of the Company (other than in connection with an Initial Public Offering) with the result immediately after such Corporate Transaction or sale that a single Acquiring Person, together with its affiliates, owns, directly or indirectly, either a greater number of shares of common stock of the Company (calculated on a fully-diluted basis assuming that all shares of capital stock of the Company that are convertible into common stock of the Company at the then applicable conversion

ratio are so converted) than the Initial Stockholders then own or, in the context of a Corporate Transaction in which the Company is not the surviving entity, more voting stock generally entitled to elect directors of such surviving entity (or in the case of a triangular merger, of the parent entity of such surviving entity) than the Initial Stockholders then own, or (B) the Company sells, leases or exchanges all or substantially all of its assets to any Acquiring Person or the dissolution or liquidation of the Company other than, in either case, pursuant to a transaction that complies with clause (b)(iii)(1) of this definition.

(b) After the common stock of the Company becomes Public Stock, a “Change in Control” of the Company shall mean:

(i) The acquisition by any Acquiring Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of fifty percent (50%) or more of either (1) the then outstanding shares of common stock of the Company (the “**Outstanding Company Common Stock**”) or (2) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “**Outstanding Company Voting Securities**”); provided, however, that for purposes of this subsection (i) any acquisition by any Acquiring Person pursuant to a transaction which complies with clause (b)(iii)(1) of this definition shall not constitute a Change in Control; or

(ii) Individuals, who, immediately following the time when the common stock of the Company becomes Public Stock, constitute the Board (the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the time when the common stock of the Company becomes Public Stock whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered for purposes of this definition as though such individual was a member of the Incumbent Board, but excluding, for these purposes, any such individual whose initial assumption of office as a director occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of an Acquiring Person other than the Board; or

(iii) The consummation of a Corporate Transaction unless, following such Corporate Transaction, (1) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the Company (if it be the ultimate parent entity following such Corporate Transaction) or the corporation resulting from such Corporate Transaction (or the ultimate parent entity which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries), and (2) at least a majority of the members of the board of directors of the ultimate parent entity resulting from such Corporate Transaction were members of the Board at the time of the

execution of the initial agreement, or of the action of the Board, providing for such Corporate Transaction. For purposes of the foregoing sentence, only (A) shares of common stock and voting securities of the Company, assuming the Company is the ultimate parent entity following such Corporate Transaction, held by a beneficial owner immediately prior to such Corporate Transaction and any additional shares of common stock and voting securities of the Company issuable to such beneficial owner in connection with such Corporate Transaction in respect of the shares of common stock and voting securities of the Company held by such beneficial owner immediately prior to such Corporate Transaction, or (B) shares of common stock and voting securities of the ultimate parent entity following such Corporate Transaction, assuming the Company is not the ultimate parent entity following such Corporate Transaction, issuable to a beneficial owner in respect of the shares of common stock and voting securities of the Company held by such beneficial owner immediately prior to such Corporate Transaction, in either case shall be included in determining whether or not the fifty percent (50%) ownership test in this subsection (iii) has been satisfied.

1.5 “ **Code** ” shall mean the Internal Revenue Code of 1986, as amended.

1.6 “ **Corporate Transaction** ” shall mean a reorganization, merger or consolidation of the Company, any of its subsidiaries or sale, lease or other disposition of all or substantially all of the assets of the Company and its subsidiaries, taken as a whole (other than to an entity wholly owned, directly or indirectly, by the Company) or the liquidation or dissolution of the Company.

1.7 “ **Date of Termination** ” shall mean the date Executive’s employment with the Company is considered to have terminated pursuant to Section 3.5.

1.8 “ **Exchange Act** ” shall mean the Securities Exchange Act of 1934, as amended.

1.9 “ **Good Reason** ” shall mean the occurrence of any of the following events:

(a) a material diminution in Executive’s Base Salary, other than as part of one or more decreases that shall not exceed, in the aggregate, more than 10% of Executive’s Base Salary as in effect on the Effective Date and that are applied similarly to all of the Company’s executive officers; or

(b) Executive ceases to be a Senior Vice President of the Company; or

(c) the involuntary relocation of the geographic location of Executive’s principal place of employment by more than 50 miles from the location of Executive’s principal place of employment as of the Effective Date.

Notwithstanding the foregoing provisions of this Section 1.9 or any other provision in this Agreement to the contrary, any assertion by Executive of a termination of employment for “ **Good Reason** ” shall not be effective unless all of the following requirements are satisfied: (i) the condition described in Section 1.9(a), (b) or (c) giving rise to Executive’s termination of employment must have arisen without Executive’s consent; (ii) Executive must provide written notice to the Company of such condition in accordance with Section 11.1 within 45 days of the initial existence of the condition; (iii) the condition specified in such notice must remain

uncorrected for 30 days after receipt of such notice by the Company; and (iv) the date of Executive's termination of employment must occur within 135 days after the initial existence of the condition specified in such notice.

1.10 "Initial Public Offering" shall mean the initial underwritten public offering and sale of common stock of the Company on a firm commitment basis after which the common stock of the Company is listed for trading on a national securities exchange registered under section 6(a) of the Exchange Act.

1.11 "Initial Stockholders" shall mean the stockholders of the Company as of the date of the Stockholders Agreement and their respective affiliates and Persons who are permitted transferees in accordance with the terms of the Stockholders Agreement.

1.12 "Notice of Termination" shall mean a written notice delivered to the other party indicating the specific termination provision in this Agreement relied upon for termination of Executive's employment and the intended Date of Termination and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

1.13 "Person" shall mean any natural person, limited liability company, corporation, limited partnership, general partnership, joint stock company, joint venture, association, company, trust, bank trust company, land trust, business trust, or other organization, whether or not a legal entity, and any government or agency or political subdivision thereof.

1.14 "Public Stock" shall mean shares of capital stock (including depositary receipts or depositary shares related to common stock or similar ordinary shares) of any Person that are registered under section 12 of the Exchange Act and listed for trading on a national securities exchange registered under section 6(a) of the Exchange Act.

1.15 "Section 409A Payment Date" shall mean the earlier of (a) the date of Executive's death or (b) the date that is six months after the date of termination of Executive's employment with the Company.

1.16 "Severance Multiple" shall mean two; provided, however, that the Severance Multiple shall mean three if Executive's employment hereunder shall terminate on or within two years after the occurrence of a Change in Control.

1.17 "Stockholders Agreement" shall mean that certain Stockholders Agreement dated as of June 1, 2011, among the Company and certain of its stockholders, as the same may be amended or restated from time to time.

ARTICLE II

EMPLOYMENT AND DUTIES

2.1 Employment; Effective Date. The Company agrees to employ Executive, and Executive agrees to be employed by the Company, pursuant to the terms of this Agreement beginning as of September 4, 2012 (the "**Effective Date**") and continuing for the period of time set forth in Article III of this Agreement, subject to the terms and conditions of this Agreement.

2.2 Positions . From and after the Effective Date, the Company shall employ Executive in the position of Senior Vice President – Sales & Marketing of the Company or in such other position or positions as the parties mutually may agree, however, it is possible that responsibility for the marketing function could be assigned to another executive in the future. Employee shall initially report to the President and Chief Executive Officer, or such other executive officer of the Company as may be designated by the CEO from time to time.

2.3 Duties and Services . Executive agrees to serve in the position(s) referred to in Section 2.2 and to perform diligently and to the best of Executive’s abilities the duties and services appertaining to such position(s), as well as such additional duties and services appropriate to such position(s) which the parties mutually may agree upon from time to time.

2.4 Other Interests . Executive agrees, during the period of Executive’s employment by the Company, to devote substantially all of Executive’s business time, energy and best efforts to the business and affairs of the Company and its affiliates. Notwithstanding the foregoing, the parties acknowledge and agree that Executive may (a) engage in and manage Executive’s passive personal investments, (b) engage in charitable and civic activities, (c) serve on the board of directors of up to two public companies and (d) serve on the board of directors or similar governing body of those entities set forth on Appendix A hereto and any other entity otherwise approved by the Board (or a committee thereof); provided, however, that such activities set forth in Section 2.4(a), (b), (c) and (d) shall be permitted so long as such activities do not conflict with the business and affairs of the Company or interfere with Executive’s performance of Executive’s duties hereunder.

2.5 Duty of Loyalty . Executive acknowledges and agrees that Executive owes a fiduciary duty of loyalty, fidelity and allegiance to act in the best interests of the Company and to do no act that would injure the business, interests, or reputation of the Company or any of its affiliates. In keeping with these duties, Executive shall make full disclosure to the Company of all business opportunities pertaining to the Company’s business and shall not appropriate for Executive’s own benefit business opportunities concerning the subject matter of the fiduciary relationship.

ARTICLE III
TERM AND TERMINATION OF EMPLOYMENT

3.1 Term . Unless sooner terminated pursuant to other provisions hereof, the Company agrees to employ Executive for the period beginning on the Effective Date and ending on the second anniversary of the Effective Date (the “**Initial Expiration Date**”); provided, however, that beginning on the Initial Expiration Date, and on each anniversary of the Initial Expiration Date thereafter, if Executive’s employment under this Agreement has not been terminated pursuant to Sections 3.2 or 3.3, then said term of employment shall automatically be extended for an additional one-year period unless on or before the date that is 60 days prior to the first day of any such extension period either party gives written notice to the other that no such automatic extension shall occur, in which case the term of employment shall terminate as of the Initial Expiration Date or the anniversary of the Initial Expiration Date immediately following the giving of such notice, as applicable.

3.2 Company's Right to Terminate. Notwithstanding the provisions of Section 3.1, the Company may terminate Executive's employment under this Agreement at any time for any of the following reasons by providing Executive with a Notice of Termination:

(a) upon Executive being unable to perform Executive's duties or fulfill Executive's obligations under this Agreement by reason of any physical or mental impairment for a continuous period of not less than six months as determined by the Company and certified in writing by a competent medical physician selected by the Company; or

(b) Executive's death; or

(c) for Cause; or

(d) for any other reason whatsoever or for no reason at all, in the sole discretion of the Company.

3.3 Executive's Right to Terminate. Notwithstanding the provisions of Section 3.1, Executive shall have the right to terminate Executive's employment under this Agreement for Good Reason or for any other reason whatsoever or for no reason at all, in the sole discretion of Executive, by providing the Company with a Notice of Termination. In the case of a termination of employment by Executive pursuant to this Section 3.3, the Date of Termination specified in the Notice of Termination shall not be less than 15 nor more than 60 days from the date such Notice of Termination is given, and the Company may require a Date of Termination earlier than that specified in the Notice of Termination (and, if such earlier Date of Termination is so required, then (a) it shall not change the basis for Executive's termination nor be construed or interpreted as a termination of employment pursuant to Section 3.1 or Section 3.2, (b) Executive shall receive his Base Salary through the Date of Termination that was specified by Executive in the Notice of Termination (the "***Specified Date of Termination***"), (c) any bonus that would have been payable to Executive pursuant to Section 7.1(a)(vi) or Section 7.1(b)(iii)(A) if Executive had continued in the employment of the Company through the Specified Date of Termination shall be paid and, in the case of the bonus described in Section 7.1(b)(iii)(A), prorated as provided in such Sections but determined as if Executive had continued in the employment of the Company through the Specified Date of Termination, and (d) the Company shall cause all stock options and other equity-based incentive awards, if any, awarded to Executive by the Company that become vested based solely on continued employment to have at least the same vesting status as of the Date of Termination as Executive would have achieved under the terms of such awards had Executive remained continuously employed by the Company until the Specified Date of Termination).

3.4 Deemed Resignations. Unless otherwise agreed to in writing by the Company and Executive prior to the termination of Executive's employment, any termination of Executive's employment shall constitute (a) an automatic resignation of Executive as an officer of the Company and each affiliate of the Company and (b) an automatic resignation of Executive from the Board (if applicable), from the board of directors of any affiliate of the Company and from the board of directors or similar governing body of any corporation, limited liability entity or other entity in which the Company or any affiliate holds an equity interest and with respect to which

board or similar governing body Executive serves as the Company's or such affiliate's designee or other representative.

3.5 Meaning of Termination of Employment. For all purposes of this Agreement, Executive shall be considered to have terminated employment with the Company when Executive incurs a "separation from service" with the Company within the meaning of section 409A(a)(2)(A)(i) of the Code and applicable administrative guidance issued thereunder; provided, however, that whether such a separation from service has occurred shall be determined based upon a reasonably anticipated permanent reduction in the level of bona fide services to be performed to no more than 49% of the average level of bona fide services provided in the immediately preceding 36 months.

ARTICLE IV **COMPENSATION AND BENEFITS**

4.1 Base Salary. During the term of this Agreement, Executive shall receive a minimum, annualized base salary of \$240,000.00 (the "**Base Salary**"). Executive's annualized base salary shall be reviewed at least annually by the Company after it goes public (it is not anticipated that there would be increases prior to that time) and, in the sole discretion of the Company, such annualized base salary may be increased (but not decreased) effective as of any date determined by the Company; provided, however, the Company may decrease Executive's Base Salary at any time and from time to time so long as such decreases do not exceed, in the aggregate, more than 10% of Executive's Base Salary as in effect on the Effective Date and such decreases are part of similar reductions applicable to all of the Company's executive officers. Executive's Base Salary shall be paid in substantially equal installments in accordance with the Company's standard policy regarding payment of compensation to executives but no less frequently than monthly.

4.2 Bonuses. For calendar year 2012, Executive shall receive a cash incentive bonus which is comprised of two components: (i) lump sum of \$62,000.00 representing a satisfaction of an estimated bonus payout Executive is forfeiting by resigning his employment with his prior employer and (ii) from the Effective Date through December 31, 2012, Executive shall be eligible for a prorated annual incentive bonus with a Target of 60% of Executive's Base Salary, based on financial, safety, and personal performance criteria and metrics established by the CEO. For calendar years after 2012, Executive shall be eligible to participate in the Company's annual cash incentive bonus program which will provide for a potential annual, calendar-year bonus (the "**Annual Bonus**") based on criteria determined in the reasonable discretion of the Board at or near the beginning of each such year; provided, however, that it is expected (subject to and contingent upon Board approval each year at the time such criteria are determined by the Board) that (a) the target (expected value) amount of Executive's annual incentive bonus for each such calendar year shall be 60% of Executive's Base Salary earned for such calendar year, and (b) Executive's annual incentive bonus for each such calendar year will have an entry and maximum range, depending on achievement of entry, target and stretch goals, with zero to be earned if performance falls below entry goals, target (expected value) to be earned if target performance is achieved, maximum to be earned if performance meets or exceeds stretch goals, and pro-rated amounts earned if performance falls between entry, target and maximum goals. The metrics to be used to calculate the actual target annual incentive bonus and range of annual incentive bonus opportunity shall be determined

in the reasonable discretion of the Board at or near the beginning of the calendar year for each year after 2012. The Company shall pay each Annual Bonus, if any, with respect to a calendar year (the “**Bonus Year**”) on or before March 15 of the year following the Bonus Year; provided, however, that if audited financial statements for the Company for the Bonus Year are not completed on or before March 5 of the year following the Bonus Year, then the Annual Bonus, if any, for the Bonus Year shall be paid within 10 days after the completion of such audited financial statements but in no event shall any such Annual Bonus be paid after June 30 of the year following the Bonus Year. Except as otherwise provided in Section 7.1, Executive will be entitled to receive payment of an Annual Bonus for a Bonus Year only if Executive is employed by the Company on December 31 of such Bonus Year.

4.3 Other Benefits. During Executive’s employment hereunder, Executive shall be eligible to participate in all benefit plans and programs of the Company, including improvements or modifications of the same, which are now, or may hereafter be, available to other senior executives of the Company. The Company shall not, however, by reason of this Section 4.3, be obligated to institute, maintain, or refrain from changing, amending, or discontinuing, any such benefit plan or program, so long as such changes are similarly applicable to other senior executives generally.

4.4 Expenses. The Company shall reimburse Executive for all reasonable business expenses incurred by Executive in performing services hereunder, including all expenses of travel and living expenses while away from home on business or at the request of and in the service of the Company; provided, in each case, that such expenses are incurred and accounted for in accordance with the policies and procedures established by the Company. Any such reimbursement of expenses shall be made by the Company upon or as soon as practicable following receipt of supporting documentation reasonably satisfactory to the Company (but in any event not later than the close of Executive’s taxable year following the taxable year in which the expense is incurred by Executive); provided, however, that, upon Executive’s termination of employment with the Company, in no event shall any additional reimbursement be made prior to the Section 409A Payment Date to the extent such payment delay is required under section 409A(a)(2)(B)(i) of the Code. In no event shall any reimbursement be made to Executive for such fees and expenses after the later of (a) the first anniversary of the date of Executive’s death or (b) the date that is five years after the date of Executive’s termination of employment with the Company (other than by reason of Executive’s death).

4.5 Vacation and Sick Leave. During Executive’s employment hereunder, Executive shall be entitled to (a) sick leave in accordance with the Company’s policies applicable to its senior executives and (b) four weeks paid vacation each calendar year (none of which may be carried forward to a succeeding year).

4.6 Offices. Subject to Articles II, III, and IV hereof, Executive agrees to serve without additional compensation, if elected or appointed thereto, as a director of any of the Company’s affiliates and as a member of any committees of the board of directors of any such entities, and in one or more executive positions of any of the Company’s affiliates.

ARTICLE V
PROTECTION OF INFORMATION

5.1 Disclosure to and Property of the Company. For purposes of this Article V, the term “the Company” shall include the Company and any of its affiliates, and any reference to “employment” or similar terms shall include a director and/or consulting relationship. All information, trade secrets, designs, ideas, concepts, improvements, product developments, discoveries and inventions, whether patentable or not, that are conceived, made, developed, disclosed to or acquired by Executive, individually or in conjunction with others, during the period of Executive’s employment by the Company (whether during business hours or otherwise and whether on the Company’s premises or otherwise) that relate to the Company’s or any of its affiliates’ businesses, trade secrets, products or services (including, without limitation, all such information relating to corporate opportunities, strategies, business plans, product specifications, compositions, manufacturing and distribution methods and processes, research, financial and sales data, pricing terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or their requirements, the identity of key contacts within the customer’s organizations or within the organization of acquisition prospects, or production, marketing and merchandising techniques, prospective names and marks) and all writings or materials of any type embodying any of such information, ideas, concepts, improvements, discoveries, inventions and other similar forms of expression (collectively, “ **Confidential Information** ”) shall be disclosed to the Company and Executive acknowledges and agrees that Executive shall have no right, title, interest or claim to any Confidential Information. Moreover, all documents, videotapes, written presentations, brochures, drawings, memoranda, notes, records, files, correspondence, manuals, models, specifications, computer programs, E-mail, voice mail, electronic databases, maps, drawings, architectural renditions, models and all other writings or materials of any type embodying any of such information, ideas, concepts, improvements, discoveries, inventions and other similar forms of expression (collectively, “ **Work Product** ”) are and shall be the sole and exclusive property of the Company (or its affiliates). Executive agrees to perform all actions reasonably requested by the Company or its affiliates to establish and confirm such exclusive ownership. Upon termination of Executive’s employment with the Company, for any reason, Executive promptly shall deliver such Confidential Information and Work Product, and all copies thereof, to the Company. Notwithstanding the preceding provisions of this Section 5.1, the term “ **Confidential Information** ” shall not include any information, ideas, concepts, improvements, discoveries, inventions and other similar forms of expression that (a) are generally known or available to the public other than as a result of a disclosure by Executive or anyone to whom Executive transmits such information, ideas, concepts, improvements, discoveries, inventions or other similar forms of expression, (b) were known by Executive prior to August 3, 2012, or (c) become known to Executive after the Date of Termination from a source who is not bound by a confidentiality agreement or other obligation of secrecy with the Company with respect to such matters.

5.2 Disclosure to Executive. The Company shall disclose to Executive and place Executive in a position to have access to or develop Confidential Information and Work Product of the Company (or its affiliates); and shall entrust Executive with business opportunities of the Company (or its affiliates); and shall place Executive in a position to develop business good will on behalf of the Company (or its affiliates).

5.3 No Unauthorized Use or Disclosure . Subject to the provisions of Section 5.5, Executive agrees to preserve and protect the confidentiality of all Confidential Information and Work Product of the Company and its affiliates. Executive agrees that Executive will not, at any time during or after Executive's employment with the Company, make any unauthorized disclosure of, and Executive shall not remove from the Company premises, Confidential Information or Work Product of the Company or its affiliates, or make any use thereof, except, in each case, in the carrying out of Executive's responsibilities hereunder. Subject to the provisions of Section 5.5, Executive shall use all reasonable efforts to cause all persons or entities to whom any Confidential Information shall be disclosed by Executive hereunder to preserve and protect the confidentiality of such Confidential Information. Executive shall have no obligation hereunder to keep confidential any Confidential Information if and to the extent disclosure thereof is specifically required by law; provided, however, that in the event disclosure is required by applicable law, Executive shall provide the Company with prompt notice of such requirement prior to making any such disclosure, so that the Company may seek an appropriate protective order. At the request of the Company at any time, Executive agrees to deliver to the Company all Confidential Information that Executive may possess or control. Executive agrees that all Confidential Information of the Company (whether now or hereafter existing) conceived, discovered or made by Executive during the period of Executive's employment by the Company exclusively belongs to the Company (and not to Executive), and upon request by the Company for specified Confidential Information, Executive will promptly disclose such Confidential Information to the Company and perform all actions reasonably requested by the Company to establish and confirm such exclusive ownership. Affiliates of the Company shall be third party beneficiaries of Executive's obligations under this Article V. As a result of Executive's employment by the Company, Executive may also from time to time have access to, or knowledge of, Confidential Information or Work Product of third parties, such as customers, suppliers, partners, joint venturers, and the like, of the Company and its affiliates. Subject to the provisions of Section 5.5, Executive also agrees to preserve and protect the confidentiality of such third party Confidential Information and Work Product.

5.4 Ownership by the Company . If, during Executive's employment by the Company, Executive creates any work of authorship fixed in any tangible medium of expression that is the subject matter of copyright (such as videotapes, written presentations, or acquisitions, computer programs, E-mail, voice mail, electronic databases, drawings, maps, architectural renditions, models, manuals, brochures, or the like) relating to the Company's business, products, or services, whether such work is created solely by Executive or jointly with others (whether during business hours or otherwise and whether on the Company's premises or otherwise), including any Work Product, the Company shall be deemed the author of such work if the work is prepared by Executive in the scope of Executive's employment; or, if the work relating to the Company's business, products, or services is not prepared by Executive within the scope of Executive's employment but is specially ordered by the Company as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, or as an instructional text, then the work shall be considered to be work made for hire and the Company shall be the author of the work. If the work relating to the Company's business, products, or services is neither prepared by Executive within the scope of Executive's employment nor a work specially ordered that is deemed to be a work made for hire during Executive's employment by the Company, then Executive hereby agrees to assign, and by these presents does

assign, to the Company all of Executive's worldwide right, title, and interest in and to such work and all rights of copyright therein.

5.5 Assistance by Executive. During the period of Executive's employment by the Company, Executive shall, at the expense of the Company or its affiliates, assist the Company and its nominee, at any time, in the protection of the Company's or its affiliates' worldwide right, title and interest in and to Confidential Information and Work Product and the execution of all formal assignment documents requested by the Company or its nominee(s) and the execution of all lawful oaths and applications for patents and registration of copyright in the United States and foreign countries. After Executive's employment with the Company terminates, at the request from time to time and expense of the Company or its affiliates, Executive shall assist the Company or its nominee(s) in the protection of the Company's or its affiliates' worldwide right, title and interest in and to Confidential Information and Work Product and the execution of all formal assignment documents requested by the Company or its nominee and the execution of all lawful oaths and applications for patents and registration of copyright in the United States and foreign countries; provided, however, that such assistance from Executive after Executive's employment with the Company terminates shall not require Executive to expend unreasonable periods of time or unreasonably interfere with any obligations Executive may have to provide services to other persons or entities.

5.6 Remedies. Executive acknowledges that money damages would not be a sufficient remedy for any breach of this Article V by Executive, and the Company or its affiliates shall be entitled to enforce the provisions of this Article V by terminating payments then owing to Executive under this Agreement or otherwise and to specific performance and injunctive relief as remedies for such breach or any threatened breach. Such remedies shall not be deemed the exclusive remedies for a breach of this Article V but shall be in addition to all remedies available at law or in equity, including the recovery of damages from Executive and Executive's agents. However, if it is determined that Executive has not committed a breach of this Article V, then the Company shall resume the payments and benefits due under this Agreement and pay to Executive and Executive's spouse, if applicable, all payments and benefits that had been suspended pending such determination.

ARTICLE VI

STATEMENTS CONCERNING THE COMPANY and EXECUTIVE

6.1 Statements Concerning the Company. Executive shall refrain, both during and after the termination of the employment relationship, from publishing any oral or written statements about the Company, any of its affiliates or any of the Company's or such affiliates' directors, officers, employees, consultants, agents or representatives that (a) are slanderous, libelous or defamatory, (b) disclose private information or Confidential Information of the Company, any of its affiliates or any of the Company's or any such affiliates' business affairs, directors, officers, employees, consultants, agents or representatives, or (c) place the Company, any of its affiliates, or any of the Company's or any such affiliates' directors, officers, employees, consultants, agents or representatives in a false light before the public. A violation or threatened violation of this prohibition may be enjoined by the courts. The rights afforded the Company and its affiliates under this provision are in addition to any and all rights and remedies otherwise afforded by law.

6.2 Statements Concerning Executive . The Company shall refrain, both during and after the termination of the employment relationship, from publishing any oral or written statements about Executive that (a) are slanderous, libelous or defamatory, (b) disclose private or confidential information about Executive or Executive’s business affairs, or (c) place Executive in a false light before the public. A violation or threatened violation of this prohibition may be enjoined by the courts. The rights afforded Executive under this provision are in addition to any and all rights and remedies otherwise afforded by law.

ARTICLE VII
EFFECT OF TERMINATION OF EMPLOYMENT ON COMPENSATION

7.1 Effect of Termination of Employment on Compensation .

(a) If Executive’s employment hereunder shall terminate at the expiration of the term provided in Section 3.1 because Executive provided written notice of non-renewal to the Company, for any reason described in Section 3.2(a), 3.2(b), or 3.2(c) or pursuant to Executive’s resignation for other than Good Reason, then all compensation and all benefits to Executive hereunder shall terminate contemporaneously with such termination of employment, except that Executive’s equity incentive awards shall be governed by the terms thereof (subject to clause (v) below) and Executive shall be entitled to (i) payment of all accrued and unpaid Base Salary to the Date of Termination (or, to the extent specifically provided in Section 3.3, to the Specified Date of Termination), (ii) reimbursement for all incurred but unreimbursed expenses for which Executive is entitled to reimbursement in accordance with Section 4.4, (iii) payment of all accrued and unused paid vacation for the calendar year in which the Date of Termination occurs, (iv) benefits to which Executive is entitled under the terms of any applicable benefit plan or program, (v) if such termination is a result of Executive’s resignation for other than Good Reason and if the Company required a Date of Termination prior to the Specified Date of Termination pursuant to Section 3.3, then the Company shall cause all stock options and other equity-based incentive awards, if any, awarded to Executive by the Company that become vested based solely on continued employment to have the same vesting status as of the Date of Termination as Executive would have achieved under the terms of such awards had Executive remained continuously employed by the Company until the Specified Date of Termination, and (vi) if, on the Date of Termination, the Company does not have a right to terminate Executive’s employment under Section 3.2(c), any unpaid Annual Bonus for the calendar year ending on or prior to the Date of Termination (or, to the extent specifically provided in Section 3.3, ending on or prior to the Specified Date of Termination), which amount shall be payable in a lump-sum on the date such annual bonuses are paid to executives who have continued employment with the Company (provided, however, that if Executive is a specified employee (as such term is defined in section 409A of the Code and as determined by the Company in accordance with any method permitted under section 409A of the Code (a “ *Specified Employee* ”)) and the payment of the amount described in this clause (vi) would be subject to additional taxes and interest under section 409A of the Code because the timing of such payment is not delayed as provided in section 409A(a)(2)(B)(i) of the Code and the regulations thereunder, then such amount (together with interest on a non-compounded basis, from the date such payment would have been made had this payment delay not applied to the actual date of

payment, at the prime rate of interest announced by Wells Fargo Bank, National Association (or any successor thereto) at its principal office in Charlotte, North Carolina on the date of Executive's termination of employment (or the first business day following such date if such termination does not occur on a business day) (the "**Applicable Rate**") shall be paid within five business days after the Section 409A Payment Date).

(b) If Executive's employment hereunder shall terminate at expiration of the term provided in Section 3.1 because the Company provided written notice of non-renewal to Executive, pursuant to Executive's resignation for Good Reason or by action of the Company pursuant to Section 3.2 for any reason other than those encompassed by Section 3.2(a), 3.2(b), or 3.2(c), then all compensation and all benefits to Executive hereunder shall terminate contemporaneously with such termination of employment, except that Executive's equity incentive awards shall be governed by the terms thereof and (i) Executive shall be entitled to receive the compensation and benefits described in clauses (i) through (iv) of Section 7.1(a), (ii) if, on the Date of Termination, the Company does not have a right to terminate Executive's employment under Section 3.2(c), Executive shall be entitled to receive the compensation described in clause (vi) of Section 7.1(a), and (iii) if, on the Date of Termination, the Company does not have a right to terminate Executive's employment under Section 3.2(a), 3.2(b), or 3.2(c) and subject to Executive's delivery, within 50 days after the Date of Termination, and non-revocation of an executed release substantially in the form of the release contained at Appendix B (the "**Release**"), Executive shall receive the following additional compensation and benefits from the Company:

(A) the Company shall pay to Executive a bonus for the calendar year in which the Date of Termination occurs in an amount equal to the Annual Bonus for such year as determined in good faith by the Board in accordance with the criteria established pursuant to Section 4.2 and based on the Company's performance for such year, which amount shall be prorated through and including the Date of Termination (based on the ratio of the number of days Executive was employed by the Company during such year (or, to the extent specifically provided in Section 3.3, the number of days Executive would have been employed by the Company during such year as of the Specified Date of Termination) to the number of days in such year), payable in a lump-sum on or before the date such annual bonuses are paid to executives who have continued employment with the Company (but in no event earlier than 60 days after the Date of Termination nor later than the June 30 next following such calendar year); provided, however, that if Executive is a Specified Employee and the payment of the amount described in this clause (A) would be subject to additional taxes and interest under section 409A of the Code because the timing of such payment is not delayed as provided in section 409A(a)(2)(B)(i) of the Code and the regulations thereunder, then such amount (together with interest on a non-compounded basis, from the date such payment would have been made had this payment delay not applied to the actual date of payment, at the Applicable Rate) shall be paid within five business days after the Section 409A Payment Date;

(B) the Company shall pay to Executive an amount equal to the Severance Multiple times the sum of (i) Executive's Base Salary as of the Date of Termination and (ii) 60% of Executive's Base Salary as of the Date of Termination, which amount shall be paid in a lump sum payment on the date that is 60 days after the Date of Termination occurs; and

(C) during the portion, if any, of the 18-month period following the Date of Termination that Executive elects to continue coverage for Executive and Executive's spouse and eligible dependents, if any, under the Company's group health plans under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (COBRA), and/or sections 601 through 608 of the Employee Retirement Income Security Act of 1974, as amended, the Company shall promptly reimburse Executive on a monthly basis for the difference between the amount Executive pays to effect and continue such coverage and the employee contribution amount that active senior executive employees of the Company pay for the same or similar coverage under such group health plans. Notwithstanding the preceding provisions of this clause (C), if the provision of the benefit described in such clause cannot be provided in the manner described in such clause without penalty, tax or other adverse impact on the Company, then the Company and Executive shall negotiate in good faith to determine an alternative manner in which the Company may provide a substantially equivalent benefit to Executive without such adverse impact on the Company.

ARTICLE VIII

NON-COMPETITION AGREEMENT

8.1 Definitions . As used in this Article VIII, the following terms shall have the following meanings:

“ **Business** ” means (a) during the period of Executive's employment by the Company, the design, manufacture and supply of products and services provided by the Company and its subsidiaries during such period and other products and services that are functionally equivalent to the foregoing, and (b) during the portion of the Prohibited Period that begins on the termination of Executive's employment with the Company, the design, manufacture and supply of products and services provided by the Company and its subsidiaries at the time of such termination of employment (or, if earlier, at the time immediately preceding the date upon which a Change in Control occurs) and other products and services that are functionally equivalent to the foregoing.

“ **Competing Business** ” means any business, individual, partnership, firm, corporation or other entity (other than an affiliate of the Company, L.E. Simmons & Associates, Incorporated (“ **LESA** ”) and its affiliates, or another entity in which SCF-V, L.P., a Delaware limited partnership, SCF-VI, L.P., a Delaware limited partnership, SCF-VII, L.P., a Delaware limited partnership, or any future limited partnership established by an affiliate of LESA has an ownership interest) which wholly or in any significant part engages in any business competing with the Business in the Restricted Area. In no event will the Company or any of its subsidiaries be deemed a Competing Business.

“ **Governmental Authority** ” means any governmental, quasi-governmental, state, county, city or other political subdivision of the United States or any other country, or any agency, court or instrumentality, foreign or domestic, or statutory or regulatory body thereof.

“ **Legal Requirement** ” means any law, statute, code, ordinance, order, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, authorization, or other directional requirement (including, without limitation, any of the foregoing that relates to environmental standards or controls, energy regulations and occupational, safety and health standards or controls including those arising under environmental laws) of any Governmental Authority.

“ **Prohibited Period** ” means the period during which Executive is employed by the Company hereunder and a period of two years following the end of Executive’s employment with the Company.

“ **Restricted Area** ” means any geographical area within 100 miles in which the Company and its subsidiaries engage in the Business during the period during which Executive is employed hereunder, which such area includes, without limitation, the geographic areas set forth on Appendix C hereto.

8.2 Non-Competition; Non-Solicitation. Executive and the Company agree to the non-competition and non-solicitation provisions of this Article VIII in consideration for the Confidential Information provided by the Company to Executive pursuant to Article V of this Agreement, to protect the trade secrets and confidential information of the Company or its affiliates disclosed or entrusted to Executive by the Company or its affiliates or created or developed by Executive for the Company or its affiliates, to protect the business goodwill of the Company or its affiliates developed through the efforts of Executive and/or the business opportunities disclosed or entrusted to Executive by the Company or its affiliates and as an additional incentive for the Company to enter into this Agreement.

(a) Subject to the exceptions set forth in Section 8.2(b) below, Executive expressly covenants and agrees that during the Prohibited Period (i) Executive will refrain from carrying on or engaging in, directly or indirectly, any Competing Business in the Restricted Area (excluding hiring, engaging or paying a Competing Business as a contractor or subcontractor for services) and (ii) Executive will not, and Executive will cause Executive’s affiliates not to, directly or indirectly, own, manage, operate, join, become an employee of, partner in, owner or member of (or an independent contractor to), control or participate in, be connected with or loan money to, sell or lease equipment or property to, or otherwise be affiliated with any business, individual, partnership, firm, corporation or other entity which engages in a Competing Business in the Restricted Area, as Executive expressly agrees that each of the foregoing activities would represent carrying on or engaging in a Competitive Business, as prohibited by this Section 8.2(a).

(b) Notwithstanding the restrictions contained in Section 8.2(a): (i) Executive or any of Executive’s affiliates may own an aggregate of not more than 2% of the outstanding stock of any class of any corporation engaged in a Competing Business, if such stock is listed on a national securities exchange or regularly traded in the over-the-counter

market by a member of a national securities exchange, without violating the provisions of Section 8.2(a), provided that neither Executive nor any of Executive's affiliates has the power, directly or indirectly, to control or direct the management or affairs of any such corporation and is not involved in the management of such corporation (except to the extent permitted in clause (ii) of this sentence); and (ii) Executive may serve in a senior executive or director capacity for a corporation which (directly or through its subsidiaries) is engaged in a Competing Business, without violating the provisions Section 8.2(a), provided that the revenues attributable to such Competing Business for the four fiscal quarters of such corporation ending on or before the date of the commencement of Executive's service in such capacity comprise less than 10% of the consolidated total revenue of such corporation for such four fiscal quarters.

(c) Executive further expressly covenants and agrees that during the Prohibited Period, Executive will not, and Executive will cause Executive's affiliates not to (i) engage or employ, solicit or contact with a view to the engagement or employment of, or recommend or refer to any person or entity (other than the Company or one of its affiliates) for engagement or employment any person who is an officer or employee of the Company or any of its affiliates or (ii) canvass, solicit, approach or entice away or cause to be canvassed, solicited, approached or enticed away from the Company or any of its affiliates any person or entity who or which is a customer of any of such entities during the period during which Executive is employed by the Company.

(d) The restrictions contained in Section 8.2 shall not apply to any product or service that the Company provided during Executive's employment but that the Company no longer provides at the Date of Termination. Further, notwithstanding the other provisions of this Section 8.2, within the State of Oklahoma, the restrictions of Sections 8.2(a) and 8.2(c)(ii) shall be limited to preventing Executive from directly soliciting the sale of goods, services or a combination of goods and services from any established customer of the Company, as may exist from time-to-time.

(e) Before accepting employment with any other person or entity while employed by the Company or during the Prohibited Period, the Executive will inform such person or entity of the restrictions contained in this Article VIII.

8.3 Relief. Executive and the Company agree and acknowledge that the limitations as to time, geographical area and scope of activity to be restrained as set forth in Section 8.2 are reasonable and do not impose any greater restraint than is necessary to protect the legitimate business interests of the Company. Executive and the Company also acknowledge that money damages would not be sufficient remedy for any breach of this Article III by Executive, and the Company or its affiliates shall be entitled to enforce the provisions of this Article III by terminating payments then owing to Executive under this Agreement or otherwise and to specific performance and injunctive relief as remedies for such breach or any threatened breach. Such remedies shall not be deemed the exclusive remedies for a breach of this Article III but shall be in addition to all remedies available at law or in equity, including the recovery of damages from Executive and Executive's agents. However, if it is determined that Executive has not committed a breach of this Article III, then the Company shall resume the payments and benefits due under this Agreement and promptly pay to Executive all payments (together with interest on a non-compounded basis,

from the date each such payment would have been made had such payment not been suspended to the actual date of payment, at the Applicable Rate) and benefits that had been suspended pending such determination.

8.4 Reasonableness; Enforcement. Executive hereby represents to the Company that Executive has read and understands, and agrees to be bound by, the terms of this Article III. Executive acknowledges that the geographic scope and duration of the covenants contained in this Article III are the result of arm's-length bargaining and are fair and reasonable in light of (a) the nature and wide geographic scope of the operations of the Business, (b) Executive's level of control over and contact with the Business in all jurisdictions in which it is conducted, (c) the fact that the Business is conducted throughout the Restricted Area and (d) the amount of Confidential Information that Executive is receiving in connection with the performance of Executive's duties hereunder. It is the desire and intent of the parties that the provisions of this Article III be enforced to the fullest extent permitted under applicable Legal Requirements, whether now or hereafter in effect and therefore, to the extent permitted by applicable Legal Requirements, Executive and the Company hereby waive any provision of applicable Legal Requirements that would render any provision of this Article III invalid or unenforceable.

8.5 Reformation. The Company and Executive agree that the foregoing restrictions are reasonable under the circumstances and that any breach of the covenants contained in this Article III would cause irreparable injury to the Company. Executive understands that the foregoing restrictions may limit Executive's ability to engage in certain businesses anywhere in the Restricted Area during the Prohibited Period, but acknowledges that Executive will receive sufficient consideration from the Company to justify such restriction. Further, Executive acknowledges that Executive's skills are such that Executive can be gainfully employed in non-competitive employment, and that the agreement not to compete will not prevent Executive from earning a living. Nevertheless, if any of the aforesaid restrictions are found by a court of competent jurisdiction to be unreasonable, or overly broad as to geographic area or time, or otherwise unenforceable, the parties intend for the restrictions herein set forth to be modified by the court making such determination so as to be reasonable and enforceable and, as so modified, to be fully enforced. By agreeing to this contractual modification prospectively at this time, the Company and Executive intend to make this provision enforceable under the law or laws of all applicable States, Provinces and other jurisdictions so that the entire agreement not to compete and this Agreement as prospectively modified shall remain in full force and effect and shall not be rendered void or illegal. Such modification shall not affect the payments made to Executive under this Agreement.

ARTICLE IX DISPUTE RESOLUTION

9.1 Arbitration. All claims or disputes between Executive and the Company or its parents, subsidiaries and affiliates (including, without limitation, claims relating to the validity, scope, and enforceability of this Article IX and claims arising under any federal, state or local law regarding the terms and conditions of employment or prohibiting discrimination in employment or governing the employment relationship in any way) shall be submitted for final and binding arbitration in Houston, Texas in accordance with the then-applicable rules for resolution of employment disputes of the American Arbitration Association ("AAA"). The arbitration shall be

conducted by a single arbitrator chosen pursuant to the then-applicable rules for resolution of employment disputes of the AAA, and the Company shall bear the costs of such arbitration. For the avoidance of doubt, the Company's assumption of costs referenced in the previous sentence applies to the costs of the AAA only, and does not include attorney or expert fees or other fees or costs incurred by Executive. The arbitrator shall apply the substantive law of the State of Texas (excluding Texas choice-of-law principles that might call for the application of some other state's law), or federal law, or both as applicable to the claims asserted. The results of the arbitration and the decision of the arbitrator will be final and binding on the parties and each party agrees and acknowledges that these results shall be enforceable in a court of law. No demand for arbitration may be made after the date when the institution of legal or equitable proceedings based on such claim or dispute would be barred by the applicable statute(s) of limitations. In the event either party must resort to the judicial process to enforce the provisions of this Agreement, the award of an arbitrator or equitable relief granted by an arbitrator, the party successfully seeking enforcement shall be entitled to recover from the other party all costs of such litigation including, but not limited to, reasonable attorneys fees and court costs. To the fullest extent permitted by law, all proceedings conducted pursuant to this agreement to arbitrate, including any order, decision or award of the arbitrator, shall be kept confidential by all parties. Notwithstanding the foregoing, Executive and the Company further acknowledge and agree that a court of competent jurisdiction residing in Houston, Texas shall have the power to maintain the status quo pending the arbitration of any dispute under this Article IX, and this Article IX shall not require the arbitration of any application for emergency, temporary or preliminary injunctive relief (including temporary restraining orders) by either party pending arbitration, including, without limitation, any application for emergency, temporary or preliminary injunctive relief for any claim arising out of Article V or Article VIII of this Agreement; provided, however, that the remainder of any such dispute beyond the application for such emergency, temporary or preliminary injunctive relief shall be subject to arbitration under this Article IX. **THE PARTIES ACKNOWLEDGE THAT, BY SIGNING THIS AGREEMENT, THEY ARE KNOWINGLY AND VOLUNTARILY WAIVING ANY RIGHTS THAT THEY MAY HAVE TO A JURY TRIAL OR, EXCEPT AS EXPRESSLY PROVIDED HEREIN, A COURT TRIAL OF ANY CLAIM THAT IS SUBJECT TO THIS ARTICLE IX.**

ARTICLE X

CERTAIN EXCISE TAXES

10.1 Certain Excise Taxes. Notwithstanding anything to the contrary in this Agreement, if Executive is a "disqualified individual" (as defined in section 280G(c) of the Code), and the payments and benefits provided for in this Agreement, together with any other payments and benefits which Executive has the right to receive from the Company or any of its affiliates, would constitute a "parachute payment" (as defined in section 280G(b)(2) of the Code), then the payments and benefits provided for in this Agreement shall be either (a) reduced (but not below zero) so that the present value of such total amounts and benefits received by Executive from the Company and its affiliates will be one dollar (\$1.00) less than three times Executive's "base amount" (as defined in section 280G(b)(3) of the Code) and so that no portion of such amounts and benefits received by Executive shall be subject to the excise tax imposed by section 4999 of the Code or (b) paid in full, whichever produces the better net after-tax position to Executive (taking into account any applicable excise tax under section 4999 of the Code and any other applicable taxes). The reduction of payments and benefits hereunder, if applicable, shall be made

by reducing, first, payments or benefits to be paid in cash hereunder in the order in which such payment or benefit would be paid or provided (beginning with such payment or benefit that would be made last in time and continuing, to the extent necessary, through to such payment or benefit that would be made first in time) and, then, reducing any benefit to be provided in-kind hereunder in a similar order. The determination as to whether any such reduction in the amount of the payments and benefits provided hereunder is necessary shall be made by the Company in good faith. If a reduced payment or benefit is made or provided and through error or otherwise that payment or benefit, when aggregated with other payments and benefits from the Company (or its affiliates) used in determining if a "parachute payment" exists, exceeds one dollar (\$1.00) less than three times Executive's base amount, then Executive shall immediately repay such excess to the Company upon notification that an overpayment has been made. Nothing in this Section 10.1 shall require the Company to be responsible for, or have any liability or obligation with respect to, Executive's excise tax liabilities under section 4999 of the Code. Notwithstanding the foregoing, if shareholder approval (obtained in a manner that satisfies the requirements of section 280G(b)(5) of the Code) of a payment or benefit to be provided to Executive by the Company or any other person (whether under this Agreement or otherwise) would prevent Executive from receiving a "parachute payment" (as defined in section 280G(b)(2) of the Code), then, upon the request of Executive and his agreement (to the extent necessary) to subject his entitlement to the receipt of such payment or benefit to shareholder approval, the Company shall seek such approval in a manner that satisfies the requirements of section 280G of the Code and the regulations thereunder.

ARTICLE XI
MISCELLANEOUS

11.1 Notices. For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given (a) when received if delivered personally or by courier, (b) on the date receipt is acknowledged if delivered by certified mail, postage prepaid, return receipt requested or (c) one day after transmission if sent by facsimile transmission with confirmation of transmission, as follows:

If to Executive, addressed to:

Mr. Paul Pistono
3 Chivary Oaks Ct.
The Woodlands, TX 77382

If to the Company, addressed to:

Rockwater Energy Solutions, Inc.
2800 Post Oak Blvd., Suite 4500
Houston, Texas 77056
Attention: Chief Executive Officer
Fax: 713-235-9450

or to such other address as either party may furnish to the other in writing in accordance herewith, except that notices or changes of address shall be effective only upon receipt.

11.2 Applicable Law; Submission to Jurisdiction

(a) This Agreement is entered into under, and shall be governed for all purposes by, the laws of the State of Texas, without regard to conflicts of laws principles thereof.

(b) With respect to any claim or dispute related to or arising under this Agreement for which an application for emergency or temporary injunctive relief may be made (as provided in Article IX), the parties hereto hereby consent to the exclusive jurisdiction, forum and venue of the state and federal courts located in Harris County, Texas.

11.3 No Waiver. No failure by either party hereto at any time to give notice of any breach by the other party of, or to require compliance with, any condition or provision of this Agreement shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

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

11.5 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement.

11.6 Withholding of Taxes and Other Employee Deductions. The Company may withhold from any benefits and payments made pursuant to this Agreement all federal, state, city and other taxes and withholdings as may be required pursuant to any law or governmental regulation or ruling and all other customary deductions made with respect to the Company's employees generally.

11.7 Headings. The Section headings have been inserted for purposes of convenience and shall not be used for interpretive purposes.

11.8 Gender and Plurals. Wherever the context so requires, the masculine gender includes the feminine or neuter, and the singular number includes the plural and conversely.

11.9 Affiliate and Subsidiary. As used in this Agreement, (a) the term "*affiliate*" as used with respect to a particular person or entity shall mean any other person or entity which owns or controls, is owned or controlled by, or is under common ownership or control with, such particular person or entity and (b) the term "*subsidiary*" as used with respect to a particular entity shall mean a direct or indirect subsidiary of such entity.

11.10 Successors. This Agreement shall be binding upon and inure to the benefit of the Company and any successor of the Company. Except as provided in the preceding sentence, this Agreement, and the rights and obligations of the parties hereunder, are personal and neither this Agreement, nor any right, benefit or obligation of either party hereto, shall be subject to voluntary or involuntary assignment, alienation or transfer, whether by operation of law or otherwise,

without the prior written consent of the other party. In addition, any payment owed to Executive hereunder after the date of Executive's death shall be paid to Executive's estate.

11.11 Effect of Termination of Employment Relationship. The provisions of Articles V, VI, VII, VIII, IX, X and XI shall survive any termination of the employment relationship between Executive and the Company.

11.12 Entire Agreement. Except as provided in any signed written agreement contemporaneously or hereafter executed by the Company and Executive and except for the agreements described on Appendix D attached hereto, this Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to employment of Executive by the Company. Without limiting the scope of the preceding sentence, all understandings and agreements preceding the date of execution of this Agreement and relating to the subject matter hereof including, without limitation, any prior employment agreement between Executive and the Company or an affiliate, are hereby null and void and of no further force and effect.

11.13 Modification; Waiver. Any modification to or waiver of this Agreement will be effective only if it is in writing and signed by the parties to this Agreement.

11.14 Actions by the Board. Any and all determinations or other actions required of the Board hereunder that relate specifically to Executive's employment by the Company or the terms and conditions of such employment shall be made by the members of the Board other than Executive if Executive is a member of the Board, and Executive shall not have any right to vote or decide upon any such matter.

11.15 Executive's Representations and Warranties. Executive represents and warrants to the Company that (a) Executive does not have any agreements with Executive's prior employer that will prohibit Executive from working for the Company or fulfilling Executive's duties and obligations to the Company pursuant to this Agreement, and (b) Executive has complied with all duties imposed on Executive with respect to Executive's former employer, e.g., Executive does not possess any tangible property belonging to Executive's former employer.

11.16 Delayed Payment Restriction. Notwithstanding any provision in this Agreement to the contrary, if any payment or benefit provided for herein would be subject to additional taxes and interest under section 409A of the Code if Executive's receipt of such payment or benefit is not delayed until the Section 409A Payment Date, then such payment or benefit shall not be provided to Executive (or Executive's estate, if applicable) until the Section 409A Payment Date.

[Signatures begin on next page.]

IN WITNESS WHEREOF , the parties hereto have executed this Agreement as of August ____, 2012.

ROCKWATER ENERGY SOLUTIONS, INC.

By: _____
Lawrence O'Donnell, III
Chairman, President & CEO

PAUL PISTONO

APPENDIX A

PERMITTED ACTIVITIES

As of the Effective Date, Executive is serving on the board of directors or similar governing body of the following entities:

TBD

APPENDIX B

RELEASE AGREEMENT

This Release Agreement (this “*Agreement*”) constitutes the release referred to in that certain Employment Agreement (the “*Employment Agreement*”) dated as of _____, 201__, by and between _____ (“*Executive*”) and Rockwater Energy Solutions, Inc. (the “*Company*”).

1. General Release.

(a) For good and valuable consideration, including the Company’s provision of certain payments and benefits to Executive in accordance with Section 7.1(b)(iii) of the Employment Agreement, Executive hereby releases, discharges and forever acquits the Company, its affiliates and subsidiaries, the past, present and future stockholders, members, partners, directors, managers, employees, agents, attorneys, heirs, legal representatives, successors and assigns of the foregoing, as well as all employee benefit plans maintained by the Company or any of its affiliates or subsidiaries and all fiduciaries and administrators of any such plan, in their personal and representative capacities (collectively, the “*Company Parties*”), from liability for, and hereby waives, any and all claims, rights, damages, or causes of action of any kind related to Executive’s employment with any Company Party, the termination of such employment, and any other acts or omissions related to any matter on or prior to the date of this Agreement (collectively, the “*Released Claims*”).

(b) The Released Claims include without limitation those arising under or related to: (i) the Age Discrimination in Employment Act of 1967; (ii) Title VII of the Civil Rights Act of 1964; (iii) the Civil Rights Act of 1991; (iv) sections 1981 through 1988 of Title 42 of the United States Code; (v) the Employee Retirement Income Security Act of 1974, including, but not limited to, sections 502(a)(1)(A), 502(a)(1)(B), 502(a)(2), and 502(a)(3) to the extent the release of such claims is not prohibited by applicable law; (vi) the Immigration Reform Control Act; (vii) the Americans with Disabilities Act of 1990; (viii) the National Labor Relations Act; (ix) the Occupational Safety and Health Act; (x) the Family and Medical Leave Act of 1993; (xi) any state or federal anti-discrimination law; (xii) any state or federal wage and hour law; (xiii) any other local, state or federal law, regulation or ordinance; (xiv) any public policy, contract, tort, or common law; (xv) costs, fees, or other expenses including attorneys’ fees incurred in these matters; (xvi) any employment contract, incentive compensation plan or stock option plan with any Company Party or to any ownership interest in any Company Party except as expressly provided in the Employment Agreement, any stock option agreement, any stockholders agreement or other equity compensation agreement between Executive and the Company; and (xvii) compensation or benefits of any kind from any Company Party (other than benefits vested as of the date of this Agreement) not expressly set forth in the Employment Agreement or any such stock option or other equity compensation agreement.

(c) In no event shall the Released Claims include (i) any claim which arises after the date of this Agreement, (ii) any claims for the payments and benefits payable to Executive under Section 7.1(b) of the Employment Agreement, (iii) any claims to the equity interests in the Company Parties that Executive holds as of the date of this Agreement which remain subject to

the terms and conditions, as applicable, of the Company's stockholders agreement (as may be amended from time to time) and any specific equity award agreement between Executive and a Company Party, and (iv) any claim for or right to indemnification under the policies or governing instruments of the Company Parties and for coverage under any directors and officers liability insurance policies maintained by the Company Parties.

(d) Notwithstanding this release of liability, nothing in this Agreement prevents Executive from filing any non-legally waivable claim (including a challenge to the validity of this Agreement) with the Equal Employment Opportunity Commission ("EEOC") or comparable state or local agency or participating in any investigation or proceeding conducted by the EEOC or comparable state or local agency; however, Executive understands and agrees that Executive is waiving any and all rights to recover any monetary or personal relief or recovery as a result of such EEOC, or comparable state or local agency proceeding or subsequent legal actions.

(e) This Agreement is not intended to indicate that any such claims exist or that, if they do exist, they are meritorious. Rather, Executive is simply agreeing that, in exchange for the consideration recited in the first sentence of Section 1(a) of this Agreement, any and all potential claims of this nature that Executive may have against the Company Parties, regardless of whether they actually exist, are expressly settled, compromised and waived.

(f) By signing this Agreement, Executive is bound by it. Anyone who succeeds to Executive's rights and responsibilities, such as heirs or the executor of Executive's estate, is also bound by this Agreement. This release also applies to any claims brought by any person or agency or class action under which Executive may have a right or benefit. **THIS RELEASE INCLUDES MATTERS ATTRIBUTABLE TO THE SOLE OR PARTIAL NEGLIGENCE (WHETHER GROSS OR SIMPLE) OR OTHER FAULT, INCLUDING STRICT LIABILITY, OF ANY OF THE COMPANY PARTIES.**

2. **Covenant Not to Sue; Executive's Representation**. Executive agrees not to bring or join any lawsuit against any of the Company Parties in any court relating to any of the Released Claims. Executive represents that Executive has not brought or joined any claim, lawsuit or arbitration against any of the Company Parties in any court or before any administrative agency or arbitral authority and has made no assignment of any rights Executive has asserted or may have against any of the Company Parties to any person or entity, in each case, with respect to any Released Claims.

3. **Acknowledgments**. By executing and delivering this Agreement, Executive acknowledges that:

(a) Executive has carefully read this Agreement;

(b) Executive has had at least [twenty-one (21)] [forty-five (45)] days to consider this Agreement before the execution and delivery hereof to the Company [Add if 45 days applies: , and Executive acknowledges that attached to this Agreement is a list provided to Executive by the Company of (i) the job titles and ages of all employees selected for participation in the employment termination or exit incentive program pursuant to which Executive is being offered this Agreement, (ii) the job titles and ages of all employees in the same job classification

APPENDIX C
RESTRICTED AREA

COUNTRY/STATE	COUNTY/PARISH/PROVINCE		
CANADA	Alberta British Columbia Saskatchewan		
ALASKA	North Slope		
ARKANSAS	Cleburne Columbia Conway Craighead Crawford Faulkner Franklin Fulton Independence Johnson Lafayette	Logan Miller Nevada Ouachita Pope Pulaski Sebastian Union Van Buren White	
COLORADO	Adams Garfield Mesa Morgan Rio Blanco Weld		
FLORIDA	Duval		
ILLINOIS	McLean		
KANSAS	Barber Butler Chase Chautauqua Clark Coffey Comanche Cowley Dickinson Elk Ellis Finney	Grant Greenwood Harper Harvey Haskell Kingman Kiowa Labette Marion McPherson Meade Montgomery	Morris Morton Neosho Pratt Reno Rice Saline Sedgwick Seward Stafford Stevens Sumner

COUNTRY/STATE	COUNTY/PARISH/PROVINCE		
LOUISIANA	Acadia Bienville Bossier Caddo Calcasieu Cameron Claiborne DeSoto Iberia Jefferson Davis Lafayette	Lafourche Natchitoches Plaquemines Red River Sabine St. Landry St. Martin St. Mary Terrebonne Vermillion Webster	
MASSACHUSETTS	Middlesex Worcester		
MICHIGAN	Kalkaska Otsego		
MISSISSIPPI	Marion		
MISSOURI	Perry		
MONTANA	Sheridan Roosevelt Richland		
NEBRASKA	Douglas		
NEVADA	Washoe		
NEW HAMPSHIRE	Hillsborough Rockingham		
NEW MEXICO	Bernalillo Catron Chaves Cibola Colfax Curry De Baca Dona Ana Eddy Grant Guadalupe	Harding Hidalgo Lea Lincoln Luna McKinley Mora Otero Quay Rio Arriba Roosevelt	San Juan San Miguel Sandoval Santa Fe Sierra Socorro Taos Torrance Union Valencia
NEW YORK	Cattaraugus Chautauqua Chemung Chenango Cortland Delaware Erie Ostego Steuben Tioga		

COUNTRY/STATE	COUNTY/PARISH/PROVINCE			
NORTH DAKOTA	Adams Billings Bottineau Bowman Burke Burleigh Divide Dunn Golden Valley Grant Hettinger McHenry McKenzie	McLean Mercer Morton Mountrail Oliver Pierce Renville Rolette Sheridan Sioux Slope Stark Ward Williams		
OHIO	Allen Coshocton Cuyahoga Guernsey Harrison Knox Licking Morgan Portage Trumbull Washington Wayne			
OKLAHOMA	Alfalfa Atoka Beaver Beckham Blaine Bryan Caddo Canadian Carter Cimarron Cleveland Coal Comanche Cotton Creek Custer Dewey El Reno	Ellis Garfield Garvin Grady Grant Greer Harmon Harper Haskell Hughes Jackson Jefferson Kay Kingfisher Kiowa Latimer LeFlore	Lincoln Logan Love Major Marshall Mayes McClain McCurtain McIntosh Murray Noble Nowata Okfuskee Oklahoma Okmulgee Osage Pawnee	Payne Pittsburg Pontotoc Pottawatomie Roger Mills Rogers Seminole Sequoyah Stephens Texas Tillman Tulsa Wagoner Washington Washita Woods Woodward

COUNTRY/STATE	COUNTY/PARISH/PROVINCE				
PENNSYLVANIA	Allegheny Armstrong Beaver Bedford Berks Bradford Butler Cambria Cameron Centre Chester	Clarion Clearfield Clinton Columbia Crawford Elk Fayette Forest Fulton Greene Indiana	Jefferson Lackawanna Lawrence Lebanon Luzerne Lycoming McKean Mercer Montour Pittsburg Potter	Somerset Sullivan Susquehanna Tioga Venango Warren Washington Wayne Westmoreland Wetzel Wyoming	
TENNESSEE	Shelby				
TEXAS	Anderson Andrews Archer Armstrong Atascosa Bailey Baylor Bee Bexar Borden Bosque Bowie Brazoria Brazos Brewster Briscoe Brooks Brown Burlison Callahan Cameron Carson Cass Castro Cherokee Childress Clay Cochran Coke Coleman Collingsworth Comanche Concho Cooke Cottle Crane Crockett	Crosby Culberson Dallam Dawson Deaf Smith Denton DeWitt Dickens Dimmit Donley Duval Eastland Ector Edwards Ellis Erath Fayette Fisher Floyd Foard Fort Bend Freestone Frio Gaines Garza Glasscock Goliad Gonzales Gray Grayson Gregg Hale Hall Hamilton Hansford Hardeman Harris	Harrison Hartley Haskell Hemphill Hidalgo Hill Hockley Hood Houston Howard Hutchinson Irion Jack Jackson Jeff Davis Jefferson Jim Hogg Jim Wells Johnson Jones Karnes Kenedy Kent Kimble King Kinney Kleberg Knox La Salle Lamb Lavaca Leon Limestone Lipscomb Live Oak Loving Lubbock	Lynn Marion Martin Maverick McCulloch McMullen Medina Menard Midland Mitchell Montague Moore Motley Nacogdoches Nolan Nueces Ochiltree Oldham Orange Palo Pinto Panola Parker Parmer Pecos Potter Randall Reagan Reeves Refugio Roberts Robertson Runnels Rusk Sabine San Augustine San Patricio Schleicher	Scurry Shackelford Shelby Sherman Somervell Smith Starr Stephens Sterling Stonewall Sutton Swisher Tarrant Taylor Terrell Terry Throckmorton Tom Green Upton Uvalde Val Verde Victoria Ward Webb Wheeler Wichita Wilbarger Willacy Wilson Winkler Wise Wood Yoakum Young Zapata Zavala

COUNTRY/STATE	COUNTY/PARISH/PROVINCE	
UTAH	Uintah	
VIRGINIA	Wise	
WASHINGTON	Jefferson Pierce	
WEST VIRGINIA	Barbour Boone Braxton Calhoun Clay Doddridge Gilmer Harrison Kanawha Lewis Lincoln Logan Marion Marshall	Monongalia Ohio Preston Putnam Raleigh Ritchie Roane Taylor Tyler Upshur Wetzel Wirt Wood Wyoming
WYOMING	Campbell Converse Fremont Natrona Sweetwater Washakie	

**SEPARATION AGREEMENT
AND GENERAL RELEASE OF CLAIMS**

This Separation Agreement and General Release of Claims (this “*Agreement*”) is entered into by and between Gary M. Gillette (“*Employee*”) and Select Energy Services, LLC, a Delaware limited liability company (the “*Company*”). Select Energy Services, Inc., a Delaware corporation (“*Parent*”), joins this Agreement for the limited purpose of acknowledging and agreeing to Sections 2(d) and 3 below.

WHEREAS, Employee and the Company are parties to that certain letter agreement dated May 15, 2018 that sets forth certain details regarding Employee’s employment (the “*Letter Agreement*”);

WHEREAS, Employee is currently employed by the Company;

WHEREAS, Employee’s employment with the Company will end as of the Separation Date (as defined below);

WHEREAS, the Company seeks to retain Employee for a period of time, as set forth below, for the purpose of transitioning his duties prior to his separation from employment;

WHEREAS, the parties wish for Employee to receive severance pay and additional consideration as set forth in this Agreement, which pay and consideration is conditioned upon Employee’s timely execution of this Agreement and Employee’s compliance with the terms of this Agreement; and

WHEREAS, the parties wish to resolve any and all claims that Employee has or may have against the Company or any of the other Company Parties (as defined below), including any claims that Employee may have arising out of Employee’s employment or the end of such employment.

NOW, THEREFORE, in consideration of the promises set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, the parties agree as follows:

1. Transition Services; Separation from Employment . Employee promises that, between the date he signs this Agreement and his final day of employment with the Company, he will assist the Company in transitioning the duties of the Chief Administrative Officer position, and otherwise provide those services that the Company may request of him from time to time. Employee’s employment with the Company will end on January 4, 2019 (the “*Separation Date*”). As of the Separation Date, Employee will not have any further employment relationship with the Company or any other Company Party (as defined below). Employee acknowledges and agrees that, as of the Separation Date, Employee shall no longer serve as an officer, director, or manager (or in any other, similar capacity) of any member of the Company Group.

2. Separation Benefits . Provided that Employee (i) executes this Agreement and returns it to the Company, care of Adam Law, Senior Vice President, General Counsel &

Corporate Secretary at 515 Post Oak Blvd., Suite 200, Houston, TX 77027 (or via e-mail at ALaw@selectenergyservices.com) so that it is received by Mr. Law no later than December 18, 2018; (ii) provides the assistance and services described in Section 1 above; (iii) timely executes and returns the Confirming Release (as defined below) to the Company as set forth in Section 7 below (and does not exercise his revocation right as described in the Confirming Release); and (iv) abides by each of Employee's commitments set forth herein, then:

(a) The Company will provide Employee with a total severance payment equal to \$522,500, less applicable taxes and withholdings (the "**Separation Payment**"), which Separation Payment will be paid in a lump sum on the Company's first regular payroll date for executive employees that comes after the Confirming Release that has been executed by Employee has been returned to the Company and the revocation period for such Confirming Release has expired;

(b) During the portion, if any, of the three (3)-month period following the Separation Date (the "**Reimbursement Period**") that Employee elects to continue coverage for Employee and Employee's spouse and eligible dependents, if any, under the Company's group health plans pursuant to Consolidated Omnibus Budget Reconciliation Act of 1985 ("**COBRA**"), the Company shall promptly reimburse Employee on a monthly basis for the difference between the amount Employee pays to effect and continue such coverage and the employee contribution amount that similarly situated employees of the Company pay for the same or similar coverage under such group health plans (the "**COBRA Benefit**"). Each payment of the COBRA Benefit shall be paid to Employee on the Company's first regularly scheduled pay date in the calendar month immediately following the calendar month in which Employee submits to the Company documentation of the applicable premium payment having been paid by Employee, which documentation shall be submitted by Employee to the Company within thirty (30) days following the date on which the applicable premium payment is paid. Employee shall be eligible to receive such reimbursement payments until the earliest of: (x) the last day of the Reimbursement Period; (y) the date Employee is no longer eligible to receive COBRA continuation coverage; and (z) the date on which Employee becomes eligible to receive coverage under a group health plan sponsored by another employer (and any such eligibility shall be promptly reported to the Company by Employee); *provided, however*, that the election of COBRA continuation coverage and the payment of any premiums due with respect to such COBRA continuation coverage shall remain Employee's sole responsibility, and the Company shall not assume any obligation for payment of any such premiums relating to such COBRA continuation coverage;

(c) So long as the Company authorizes awards for 2018 pursuant to the Company's short-term incentive bonus program (the "**STI Plan**"), then the discretionary portion of the 2018 bonus for which Employee is eligible pursuant to the STI Plan (which discretionary portion amounts to ten percent (10%) of such total, potential bonus) shall be fully guaranteed, such that the bonus that Employee receives for 2018 pursuant to the STI Plan shall reflect full payment of such discretionary component and other components of the STI award (e.g., EBITDA, SGA, Safety) will be calculated consistently with the results achieved; and

(d) Effective as of the Separation Date, Parent will cause (i) 12,805 restricted shares granted to Employee on January 19, 2018 and (ii) 4,742 of the shares subject to the stock option granted to Employee on February 7, 2017 (the "**Accelerated Awards**") to vest and become nonforfeitable.

The payments and benefits set forth in this Section 2 are referred to herein collectively as the “**Separation Benefits**.”

3. Forfeiture of Certain Equity Awards. For the avoidance of doubt, effective as of the Separation Date, (a) 12,805 performance share units granted to Employee on January 19, 2018 and (b) 4,741 of the shares subject to the stock option granted to Employee on February 7, 2017, which, after giving effect to Section 2(d), collectively represents all outstanding unvested equity awards granted to Employee, will terminate automatically without any further action by Parent, the Company or any of their respective affiliates and will be forfeited without consideration or notice. The vested portion, after giving effect to Section 2(d), of the stock option granted to Employee on February 7, 2017 will continue to be governed by the terms of the applicable award agreement and the Select Energy Services, Inc. 2016 Equity Incentive Plan (the “**EIP**”).

4. Satisfaction of All Leaves and Payment Amounts; Prior Rights and Obligations. In entering into this Agreement, Employee expressly acknowledges and agrees that, as of the date he signs this Agreement, Employee has received all leaves (paid and unpaid) to which Employee has been entitled during Employee’s employment with the Company or any other Company Party, and Employee has received all wages, bonuses and other compensation, been provided all benefits and been afforded all rights and been paid all sums that Employee has been owed by the Company or any other Company Party, including all payments arising out of all incentive plans and any other bonus arrangements. Notwithstanding the foregoing, Employee remains: (a) entitled to receive Employee’s base salary and benefits for services performed between the date that Employee signs this Agreement and the Separation Date, (b) eligible to receive payment for any 2018 STI award as referenced in Section 2(c) above, and (c) eligible to receive payment for any accrued, unused paid time off that he is eligible to receive as of the Separation Date. For the avoidance of doubt, Employee acknowledges and agrees that Employee had no right to the Separation Benefits but for Employee’s entry into this Agreement and satisfaction of the terms herein.

5. General Release of Claims

(a) In exchange for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged by Employee, Employee hereby releases, discharges and forever acquits the Company, Parent, their respective parents, subsidiaries and affiliates, and each of the foregoing entities’ respective shareholders, members, partners, officers, managers, directors, fiduciaries, employees, representatives, agents and benefit plans (and fiduciaries of such plans), in their personal and representative capacities (collectively, the “**Company Parties**” or any one, individually, a “**Company Party**”), from liability for, and Employee hereby waives, any and all claims, damages, demands, or causes of action of any kind that Employee has or could have, whether known or unknown, against any Company Party, including any and all claims, damages, demands, or causes of action relating to his employment, engagement or affiliation with any Company Party, the termination of such employment, engagement or affiliation, Employee’s status as a shareholder of a Company Party, or any other acts or omissions related to any matter occurring or existing on or prior to the date that Employee executes this Agreement, including, (i) any alleged violation through such date of: (A) Title VII of the Civil Rights Act of 1964; (B) the Civil Rights Act of 1991; (C) Sections 1981 through 1988 of Title 42 of the United States Code; (D) the Americans with Disabilities Act of 1990; (E) the Employee Retirement Income Security Act of

1974 (“**ERISA**”); (F) the Immigration Reform Control Act; (G) the Americans with Disabilities Act of 1990; (H) the Occupational Safety and Health Act; (I) the Sarbanes-Oxley Act of 2002; (J) the Dodd-Frank Wall Street Reform and Consumer Protection Act; (K) any federal, state, municipal or local anti-discrimination or anti-retaliation law, including the Texas Labor Code (including the Texas Payday Law, the Texas Anti-Retaliation Act, Chapter 21 of the Texas Labor Code, and the Texas Whistleblower Act) ; (L) any federal, state, municipal or local wage and hour law; (M) any other local, municipal, state, or federal law, regulation or ordinance; and (N) any public policy, contract, tort, or common law claim, including claims for breach of fiduciary duty, fraud, breach of implied or express contract, breach of implied covenant of good faith and fair dealing, wrongful discharge or termination, promissory estoppel, infliction of emotional distress, or tortious interference; (ii) any allegation for costs, fees, or other expenses including attorneys’ fees incurred in, or with respect to, a Released Claim; (iii) any and all rights, benefits or claims Employee may have under any employment contract (including the Letter Agreement and that certain letter agreement between Employee and the Company dated June 7, 2015), equity-based or incentive compensation plan (including the EIP and any award agreement thereunder), or other agreement with any Company Party; (iv) any claim, whether direct or derivative, arising from, or relating to, Employee’s status as a member or holder of any interests in the Company, Parent, or any of their subsidiaries; and (v) any claim for compensation, benefits, or damages of any kind not expressly set forth in this Agreement (collectively, the “**Released Claims**”). THIS RELEASE INCLUDES MATTERS ATTRIBUTABLE TO THE SOLE OR PARTIAL NEGLIGENCE (WHETHER GROSS OR SIMPLE) OR OTHER FAULT, INCLUDING STRICT LIABILITY, OF ANY OF THE COMPANY PARTIES.

(b) The Released Claims do not include any claims to the Separation Benefits or any rights or claims that may first arise after the time that Employee executes this Agreement.

(c) In no event shall the Released Claims include any claim to vested benefits under an employee benefit plan of the Company that is subject to ERISA (including any rights to vested benefits under health and retirement plans). Further notwithstanding this release of liability, *nothing in this Agreement prevents Employee from filing any non-legally waivable claim (including a challenge to the validity of this Agreement) with the Equal Employment Opportunity Commission, National Labor Relations Board, Occupational Safety and Health Administration, Securities and Exchange Commission, or other federal, state or local governmental agency or commission (collectively “**Governmental Agencies**”) or participating in any investigation or proceeding conducted by any Governmental Agencies or communicating or cooperating with such an agency; however, Employee understands and agrees that, to the extent permitted by law, Employee is waiving any and all rights to recover any monetary or personal relief from any Company Party as a result of such Governmental Agency proceeding or subsequent legal actions . Nothing herein waives Employee’s right to receive an award for information provided to a Governmental Agency.*

(d) Employee hereby represents and warrants that, as of the time Employee executes this Agreement, Employee has not brought or joined any lawsuit or filed any charge or claim against any of the Company Parties in any court or before any government agency or arbitrator for or with respect to a matter, claim or incident that occurred or arose out of one or more occurrences that took place on or prior to the time at which Employee signs this Agreement. Employee hereby further represents and warrants that Employee has not assigned, sold, delivered, transferred or

conveyed any rights Employee has asserted or may have against any of the Company Parties to any person or entity, in each case, with respect to any Released Claims.

6. Employee's Acknowledgements . By executing and delivering this Agreement, Employee expressly acknowledges that:

- (a) Employee has carefully read this Agreement;
- (b) Employee is not otherwise entitled to the consideration set forth in this Agreement, but for his entry into this Agreement;
- (c) Employee has had sufficient time to consider this Agreement before the execution and delivery to Company;
- (d) Employee has been advised, and hereby is advised in writing, to discuss this Agreement with an attorney of Employee's choice and Employee has had adequate opportunity to do so prior to executing this Agreement;
- (e) Employee fully understands the final and binding effect of this Agreement; the only promises made to Employee to sign this Agreement are those stated within the four corners of this document; and Employee is signing this Agreement knowingly, voluntarily and of Employee's own free will, and that Employee understands and agrees to each of the terms of this Agreement; and
- (f) No Company Party has provided any tax or legal advice regarding this Agreement and Employee has had an adequate opportunity to receive sufficient tax and legal advice from advisors of Employee's own choosing such that Employee enters into this Agreement with full understanding of the tax and legal implications thereof.

7. Confirming Release . On the Separation Date or within twenty-one (21) days thereafter, Employee shall execute the Confirming Release Agreement that is attached as Exhibit A (the "**Confirming Release** ") and return the executed Confirming Release to the Company such that it is received by Adam Law, Senior Vice President, General Counsel & Corporate Secretary at 515 Post Oak Blvd., Suite 200, Houston, TX 77027 (or via e-mail at ALaw@selectenergyservices.com) no later than January 25, 2019.

8. Entire Agreement . This Agreement constitutes the entire agreement between the parties with respect to the matters herein provided. No modifications or waiver of any provision hereof shall be effective unless in writing and signed by each party.

9. Governing Law; Arbitration .

(a) The validity, interpretation, construction, performance and enforcement of this Agreement shall be governed by the laws of the State of Texas, without giving effect to the principles of conflicts of law.

(b) Subject to Section 9(c) below, any dispute, controversy or claim between Employee and the Company, Parent, or any of their respective affiliates arising out of or relating to this

Agreement or Employee's employment or engagement with any Company Party will be finally settled by arbitration in Houston, Texas in accordance with the then-existing American Arbitration Association ("AAA") Employment Arbitration Rules. The arbitration award shall be final and binding on both parties. Any arbitration conducted under this Section 9 shall be heard by a single arbitrator (the "**Arbitrator**") selected in accordance with the then-applicable rules of the AAA. The Arbitrator shall expeditiously hear and decide all matters concerning the dispute. The parties further agree that all disputes shall be arbitrated on an individual basis, and they forego and waive any right to arbitrate any dispute as a class action or collective action or on a consolidated basis or in a representative capacity on behalf of other persons or entities who are claimed to be similarly situated, or to participate as a class member in such a proceeding. Except as expressly provided to the contrary in this Agreement, the Arbitrator shall have the power to (i) gather such materials, information, testimony and evidence as the Arbitrator deems relevant to the dispute before him or her (and each party will provide such materials, information, testimony and evidence requested by the Arbitrator), and (ii) grant injunctive relief and enforce specific performance. The decision of the Arbitrator shall be reasoned, rendered in writing, be final and binding upon the disputing parties and the parties agree that judgment upon the award may be entered by any court of competent jurisdiction. By entering into this Agreement and entering into the arbitration provisions of this Section 9, THE PARTIES EXPRESSLY ACKNOWLEDGE AND AGREE THAT THEY ARE KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVING THEIR RIGHTS TO A JURY TRIAL.

(c) Nothing in this Section 9 shall prohibit a party to this Agreement from (i) instituting litigation to enforce any arbitration award, or (ii) joining the other party to this Agreement in a litigation initiated by a person or entity that is not a party to this Agreement. Further, nothing in this Section 9 precludes Employee from filing a charge or complaint with a federal, state or other governmental administrative agency.

10. Headings; Interpretation. Titles and headings to Sections hereof are for the purpose of reference only and shall in no way limit, define or otherwise affect the provisions hereof. Unless the context requires otherwise, all references herein to laws, regulations, contracts, agreements, instruments and other documents shall be deemed to refer to such laws, regulations, agreements, instruments and other documents as they may be amended, supplemented, modified and restated from time to time, and references to particular provisions of laws or regulations include a reference to the corresponding provisions of any succeeding law or regulation. The word "or" as used herein is not exclusive and is deemed to have the meaning "and/or." The words "herein", "hereof", "hereunder" and other compounds of the word "here" shall refer to the entire Agreement, including all exhibits, and not to any particular provision hereof. The use herein of the word "including" following any general statement, term or matter shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not non-limiting language (such as "without limitation", "but not limited to", or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such general statement, term or matter. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against any party hereto, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by each of the parties hereto and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the parties.

11. Third Party Beneficiaries. Each Company Party that is not a signatory hereto shall be a third-party beneficiary of Employee's covenants, warranties, representations, and release of claims set forth in this Agreement and entitled to enforce such provisions as if it was a party hereto.

12. Return of Property. Employee expressly represents and warrants that he has, or as of the Separation Date he will have, returned to the Company all property belonging to the Company and any other Company Party, including all documents, computer files and other electronically stored information, and all other materials provided to Employee by the Company or any other Company Party in the course of his employment or affiliation. Employee further represents and warrants that he has not maintained (or, after the Separation Date, he will not maintain) a copy of any such materials in any form.

13. No Waiver. No failure by any party at any time to give notice of any breach by the other party of, or to require compliance with, any condition or provision of this Agreement shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

14. Severability and Modification. To the extent permitted by applicable law, the parties agree that any term or provision of this Agreement (or part thereof) that renders such term or provision (or part thereof) or any other term or provision (or part thereof) of this Agreement invalid or unenforceable in any respect shall be severable and shall be modified or severed to the extent necessary to avoid rendering such term or provision (or part thereof) invalid or unenforceable, and such severance or modification shall be accomplished in the manner that most nearly preserves the benefit of the parties' bargain hereunder.

15. Withholding of Taxes and Other Employee Deductions. The Company may withhold from any payments made pursuant to this Agreement all federal, state, local, and other taxes and withholdings as may be required pursuant to any law or governmental regulation or ruling.

16. Counterparts. This Agreement may be executed in one or more counterparts (including portable document format (.pdf) and facsimile counterparts), each of which shall be deemed to be an original, but all of which together will constitute one and the same agreement.

17. Section 409A. Neither this Agreement nor the payments provided hereunder are intended to constitute "deferred compensation" subject to the requirements of Section 409A of the Internal Revenue Code of 1986 and the Treasury regulations and interpretive guidance issued thereunder (collectively, "**Section 409A**"), and this Agreement shall be construed and administered in accordance with such intent. For purposes of Section 409A, each payment provided under this Agreement shall be treated as a separate payment. Notwithstanding the foregoing, the Company makes no representations that this Agreement or the payments provided under this Agreement complies with or is exempt from the requirements of Section 409A and in no event shall the Company or any other Company Party be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by Employee on account of non-compliance with Section 409A.

[*Signatures begin on the following page*]

IN WITNESS WHEREOF, the parties have executed this Agreement with the intent to be legally bound.

Gary M. Gillette

/s/ Gary Gillette
Gary M. Gillette

Date: December 16, 2018

Select Energy Services, LLC

By: /s/ Holli Ladhani
Name: Holli Ladhani
Title: President and Chief Executive Officer
Date: December 17, 2018

With respect to Sections 2(d) and 3 :

Select Energy Services, Inc.

By: /s/ Holli Ladhani
Name: Holli Ladhani
Title: President and Chief Executive Officer
Date: December 17, 2018

Signature Page to
Separation Agreement and
General Release of Claims

EXHIBIT A

CONFIRMING RELEASE AGREEMENT

This Confirming Release Agreement (this “ **Confirming Release** ”) is that certain Confirming Release referenced in Section 7 of the Separation Agreement and General Release of Claims (the “ **Separation Agreement** ”) entered into by and between Gary M. Gillette (“ **Employee** ”) and Select Energy Services, LLC, a Delaware limited liability company (the “ **Company** ”). Capitalized terms used herein that are not otherwise defined have the meanings assigned to them in the Separation Agreement.

1. General Release of Claims

(a) For good and valuable consideration, including Employee’s receipt of the consideration described in Section 2 of the Separation Agreement (and any portion thereof), Employee hereby forever releases, discharges and acquits the Company, Parent, their respective parents, subsidiaries and affiliates, and each of the foregoing entities’ respective shareholders, members, partners, officers, managers, directors, fiduciaries, employees, representatives, agents and benefit plans (and fiduciaries of such plans), in their personal and representative capacities (collectively, the “ **Confirming Release Company Parties** ” or any one, individually, a “ **Confirming Release Company Party** ”), from liability for, and Employee hereby waives, any and all claims, damages, demands, or causes of action of any kind that Employee has or could have, whether known or unknown, against any Confirming Release Company Party, including any and all claims, damages, demands, or causes of action relating to his employment, engagement or affiliation with any Confirming Release Company Party, the termination of such employment, engagement or affiliation, his status as a shareholder of any Company Party, or any other acts or omissions related to any matter occurring or existing on or prior to the date that Employee executes this Confirming Release, including, (i) any alleged violation through such date of: (A) Title VII of the Civil Rights Act of 1964; (B) the Civil Rights Act of 1991; (C) Sections 1981 through 1988 of Title 42 of the United States Code; (D) the Americans with Disabilities Act of 1990; (E) the Employee Retirement Income Security Act of 1974 (“ **ERISA** ”); (F) the Immigration Reform Control Act; (G) the Americans with Disabilities Act of 1990; (H) the Occupational Safety and Health Act; (I) the Age Discrimination in Employment Act of 1967 (including as amended by the Older Workers Benefit Protection Act); (J) the Sarbanes-Oxley Act of 2002; (K) the Dodd-Frank Wall Street Reform and Consumer Protection Act; (L) any federal, state, municipal or local anti-discrimination or anti-retaliation law, including the Texas Labor Code (including the Texas Payday Law, the Texas Anti-Retaliation Act, Chapter 21 of the Texas Labor Code, and the Texas Whistleblower Act) ; (N) any federal, state, municipal or local wage and hour law; (M) any other local, municipal, state, or federal law, regulation or ordinance; and (N) any public policy, contract, tort, or common law claim, including claims for breach of fiduciary duty, fraud, breach of implied or express contract, breach of implied covenant of good faith and fair dealing, wrongful discharge or termination, promissory estoppel, infliction of emotional distress, or tortious interference; (ii) any allegation for costs, fees, or other expenses including attorneys’ fees incurred in, or with respect to, a Confirming Released Claim; (iii) any and all rights, benefits or claims Employee may have under any employment contract (including the Letter Agreement and that certain letter agreement between Employee and the Company dated June 7, 2015), equity-based or incentive compensation plan (including the Select Energy Services, Inc. 2016 Equity Incentive Plan and any

award agreement thereunder), or other agreement with any Confirming Release Company Party; (iv) any claim, whether individual or derivative, arising from, or relating to, Employee's status as a member or holder of any interests in the Company, the Parent, or any of their subsidiaries; and (v) any claim for compensation, benefits, or damages of any kind not expressly set forth in this Agreement (collectively, the “ **Confirming Released Claims** ”). THIS RELEASE INCLUDES MATTERS ATTRIBUTABLE TO THE SOLE OR PARTIAL NEGLIGENCE (WHETHER GROSS OR SIMPLE) OR OTHER FAULT, INCLUDING STRICT LIABILITY, OF ANY OF THE CONFIRMING RELEASE COMPANY PARTIES.

(b) The Confirming Released Claims do not include any claims to the Separation Benefits or any rights or claims (including any rights or claims pursuant to the Separation Agreement) that may first arise after the time that Employee executes this Confirming Release.

(c) In no event shall the Confirming Released Claims include any claim to vested benefits under an employee benefit plan of the Company that is subject to ERISA (including any rights to vested benefits under health and retirement plans). Further notwithstanding this release of liability, *nothing in this Confirming Release prevents Employee from filing any non-legally waivable claim (including a challenge to the validity of this Confirming Release) with a Governmental Agency or participating in any investigation or proceeding conducted by any Governmental Agencies or communicating or cooperating with such agency; however, Employee understands and agrees that, to the extent permitted by law, Employee is waiving any and all rights to recover any monetary or personal relief from any Confirming Release Company Party as a result of such Governmental Agency proceeding or subsequent legal actions* . Nothing herein waives Employee's right to receive an award for information provided to a Governmental Agency.

(d) Employee hereby represents and warrants that, as of the time Employee executes this Confirming Release, Employee has not brought or joined any lawsuit or filed any charge or claim against any of the Confirming Release Company Parties in any court or before any government agency or arbitrator for or with respect to a matter, claim or incident that occurred or arose out of one or more occurrences that took place on or prior to the time at which Employee signs this Confirming Release. Employee hereby further represents and warrants that Employee has not assigned, sold, delivered, transferred or conveyed any rights Employee has asserted or may have against any of the Confirming Release Company Parties to any person or entity, in each case, with respect to any Confirming Released Claims.

2. Satisfaction of All Leaves and Payment Amounts; Prior Rights and Obligations.

In signing this Confirming Release, Employee expressly acknowledges and agrees that Employee has received all leaves (paid and unpaid) to which Employee has been entitled during Employee's employment with the Company or any other Confirming Release Company Party, and Employee has received all wages, bonuses and other compensation, been provided all benefits and been afforded all rights and been paid all sums that Employee is owed or has been owed or ever could be owed by the Company or any other Confirming Release Company Party (with the exception of the consideration set forth in Section 2 of the Separation Agreement), including all payments arising out of all incentive plans and any other bonus arrangements. Notwithstanding the foregoing, Employee remains entitled to receive, if still unpaid: (i) any unpaid base salary and benefits for services performed in the pay period in which the Separation Date occurred; (ii) payment for any accrued, unused paid time off that existed as of the Separation Date;

and (iii) any payment for any 2018 STI award as referenced in Section 2(c) of the Separation Agreement.

3. **Employee's Acknowledgments; Binding Effect .** Employee has been advised, and hereby is advised in writing, to consult with an attorney of his choice regarding the form and content of this Confirming Release, and he represents that he has had a sufficient opportunity (and a full 21 days) to do so before execution and return, and that he has read this Confirming Release and enters into it voluntarily and of his own free will. This Confirming Release and the releases and covenants contained herein shall be binding upon Employee, his heirs, executors, administrators, assigns, agents, attorneys in fact, attorneys at law, and representatives. This Confirming Release and the releases and covenants contained herein shall inure to the benefit of all Confirming Release Company Parties and each of their respective predecessors, successors, and assigns.

4. **Revocation Right .** Notwithstanding the initial effectiveness of this Confirming Release, Employee may revoke the delivery (and therefore the effectiveness) of this Confirming Release within the seven-day period beginning on the date Employee executes this Confirming Release (such seven day period being referred to herein as the “ **Confirming Release Revocation Period** ”). To be effective, such revocation must be in writing signed by Employee and must be received by the Company, care of Adam Law, Senior Vice President, General Counsel & Corporate Secretary at 515 Post Oak Blvd., Suite 200, Houston, TX 77027 (or via e-mail at ALaw@selectenergyservices.com) so that it is received by Mr. Law no later than 11:59 p.m. Houston, Texas time, on the last day of the Confirming Release Revocation Period. In the event Employee exercises his revocation right as set forth herein, this Confirming Release will be of no force or effect, and Employee will not be entitled to receive the consideration set forth in Section 2 of the Separation Agreement.

IN WITNESS WHEREOF, Employee has executed this Confirming Release with the intent to be legally bound.

Gary M. Gillette

Gary M. Gillette

Date:

EMPLOYMENT AGREEMENT

This Employment Agreement (“**Agreement**”) is made and entered into by and between Select Energy Services, LLC, a Delaware limited liability company (the “**Company**”), and Michael Skarke (“**Employee**”) effective as of January 14, 2019 (the “**Effective Date**”).

WHEREAS, Employee is currently employed by the Company; and

WHEREAS, in order to further incentivize Employee to continue to develop the business and goodwill of the Company Group (as defined below), the Company will provide Employee with certain compensation and benefits pursuant to (and subject to the terms of) this Agreement and Select Energy Services, Inc., a Delaware corporation and the parent of the Company (the “**Parent**”) will grant to Employee shares of restricted stock pursuant to (and subject to the terms of) that certain Restricted Stock Grant Notice and Restricted Stock Agreement between Parent and Employee (the “**Restricted Stock Agreement**”).

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements herein contained, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. **Employment**. During the Employment Period (as defined in Section 4), the Company shall employ Employee, and Employee shall serve, as Executive Vice President, Water Solutions, of the Company.

2. **Duties and Responsibilities of Employee**.

(a) During the Employment Period, Employee shall devote Employee’s best efforts and full business time and attention to the businesses of Parent and its direct and indirect subsidiaries, including the Company (collectively, the Parent and its direct and indirect subsidiaries are referred to as the “**Company Group**”) as may be requested by Parent or the Company from time to time. Employee’s duties and responsibilities shall include those normally incidental to the position(s) identified in Section 1, as well as such additional duties as may be assigned to Employee by the Company from time to time, which duties and responsibilities may include providing services to other members of the Company Group in addition to the Company. Employee may, without violating this Section 2(a), (i) as a passive investment, either make or manage personal investments that are unrelated to the Business or any Business Opportunity of the Company, as defined in Sections 10(f)(i) and 10(f)(ii) or own publicly traded securities in such form or manner as will not require any services by Employee in the operation of the entities in which such securities are owned; (ii) engage in charitable and civic activities; or (iii) with the prior written consent of the board of directors of Parent (the “**Board**”), engage in other personal and active investment activities, in each case, so long as such ownership, interests or activities do not interfere with Employee’s ability to fulfill Employee’s duties and responsibilities under this Agreement and are not inconsistent with Employee’s obligations to any member of the Company Group or competitive with the business of any member of the Company Group.

(b) Employee hereby represents and warrants that Employee is not the subject of, or a party to, any employment agreement, non-competition, non-solicitation, restrictive

covenant or non-disclosure agreement, or any other agreement, obligation, restriction or understanding that would prohibit Employee from executing this Agreement or fully performing each of Employee's duties and responsibilities hereunder, or would in any manner, directly or indirectly, limit or affect any of the duties and responsibilities that may now or in the future be assigned to Employee hereunder. Employee expressly acknowledges and agrees that Employee is strictly prohibited from using or disclosing any confidential information belonging to any prior employer in the course of performing services for any member of the Company Group, and Employee promises that Employee shall not do so. Employee shall not introduce documents or other materials containing confidential information of any prior employer to the premises or property (including computers and computer systems) of any member of the Company Group.

(c) Employee owes each member of the Company Group fiduciary duties (including (i) duties of loyalty and disclosure and (ii) such fiduciary duties that an officer of the Company owes under the laws of the State of Delaware), and the obligations described in this Agreement are in addition to, and not in lieu of, the obligations Employee owes each member of the Company Group under statutory and common law.

3. Compensation.

(a) Base Salary. During the Employment Period, the Company shall pay to Employee an annualized base salary of \$300,000 (the "**Base Salary**") in consideration for Employee's services under this Agreement, payable in substantially equal installments in conformity with the Company's customary payroll practices for similarly situated employees as may exist from time to time, but no less frequently than monthly.

(b) Signing Bonus. On the Company's first regular payroll date following the Effective Date, the Company shall pay Employee a one-time signing bonus in the amount of \$210,000 (the "**Signing Bonus**"). Notwithstanding any provision of this Agreement to the contrary, Employee shall promptly return to the Company the full amount of the Signing Bonus (gross of applicable tax withholdings) in the event that at any time during the one (1)-year period following the Effective Date, Employee's employment is terminated by the Company for Cause pursuant to Section 7(a) or by Employee for convenience pursuant to Section 7(e).

(c) STI Plan. Employee shall be eligible to continue participating in the Company's short-term incentive bonus program (the "**STI Plan**"), subject to the terms of the STI Plan in effect from time to time. Each bonus, if any, paid pursuant to the STI Plan shall be paid as soon as administratively feasible after the Board (or a committee thereof) certifies whether the applicable performance targets for the applicable calendar year have been achieved, and in no event later than April 30 of the calendar year following the calendar year to which such bonus relates. Such bonus, if applicable to Employee, shall not unreasonably be withheld. Notwithstanding anything in this Section 3(c) to the contrary, no bonus will be paid under the STI Plan for a particular calendar year unless Employee remains continuously employed by the Company from the Effective Date through the date the Board (or a committee thereof) certifies whether the applicable performance targets for the applicable calendar year have been achieved.

4. Term of Employment. Unless earlier terminated pursuant to Section 7 below, the term of Employee's employment under this Agreement shall be for the period beginning on the

Effective Date and ending on the fifth (5th) anniversary of the Effective Date (the “**Term**”). Upon the expiration of the Term, this Agreement shall automatically terminate and shall cease to have any further force or effect and, if Employee’s employment has not terminated prior to the end of the Term in accordance with Section 7, Employee’s employment with the Company following the expiration of the Term shall continue on an “at-will” basis and may be terminated by either party at any time and for any reason or no reason at all, so long as the reason or lack of reason is lawful; *provided, however*, that notwithstanding the foregoing, the terms of Sections 9 and 11 shall remain in effect following the expiration of the Term. Notwithstanding any other provision of this Agreement, Employee’s employment pursuant to this Agreement may be terminated at any time during the Term in accordance with Section 7. The period from the Effective Date through the expiration of this Agreement or, if sooner, the termination of Employee’s employment pursuant to this Agreement, regardless of the time or reason for such termination, shall be referred to herein as the “**Employment Period**.”

5. **Business Expenses**. Subject to Section 23, the Company shall reimburse Employee for Employee’s reasonable out-of-pocket business-related expenses actually incurred in the performance of Employee’s duties under this Agreement so long as Employee timely submits all documentation for such expenses, as required by Company policy in effect from time to time. Any such reimbursement of expenses shall be made by the Company upon or as soon as practicable following receipt of such documentation (but in any event not later than the close of Employee’s taxable year following the taxable year in which the expense is incurred by Employee). In no event shall any reimbursement be made to Employee for any expenses incurred after the date of Employee’s termination of employment with the Company.

6. **Benefits**. During the Employment Period, Employee shall be eligible to participate in the same benefit plans and programs in which other similarly situated Company employees are eligible to participate, subject to the terms and conditions of the applicable plans and programs in effect from time to time. The Company shall not, however, by reason of this Section 6, be obligated to institute, maintain, or refrain from changing, amending, or discontinuing, any such plan or policy, so long as such changes are similarly applicable to similarly situated Company employees generally.

7. **Termination of Employment**.

(a) Company’s Right to Terminate Employee’s Employment for Cause. The Company shall have the right to terminate Employee’s employment hereunder at any time during the Term for Cause. For purposes of this Agreement, “**Cause**” shall mean:

(i) Employee’s material breach of this Agreement or any other written agreement between Employee and one or more members of the Company Group;

(ii) Employee’s material failure to follow any law applicable to the workplace or employment relationship, or Employee’s breach of any material policy or code of conduct established by Parent or the Company and applicable to Employee;

(iii) Employee’s gross negligence, willful misconduct, breach of fiduciary duty, fraud, theft or embezzlement;

(iv) the commission by Employee of, or conviction or indictment of Employee for, or plea of *nolo contendere* by Employee to, or receipt of adjudicated probation or deferred adjudication in connection with, any felony (or state law equivalent) involving fraud, dishonesty or moral turpitude (or a crime of similar import in a foreign jurisdiction); or

(v) Employee's willful failure or refusal, other than due to Disability, to perform Employee's obligations pursuant to this Agreement or to follow any lawful directive from the Company, as determined by the Company; *provided, however*, that if Employee's actions or omissions as set forth in this Section 7(a)(v) are of such a nature that the Company determines that they are curable by Employee, such actions or omissions must remain uncured thirty (30) days after the Company first provided Employee written notice of the obligation to cure such actions or omissions.

(b) Company's Right to Terminate for Convenience. The Company shall have the right to terminate Employee's employment for convenience at any time during the Term and for any reason, or no reason at all, upon written notice to Employee.

(c) Employee's Right to Terminate for Good Reason. Employee shall have the right to terminate Employee's employment with the Company at any time during the Term for Good Reason. For purposes of this Agreement, "**Good Reason**" shall mean:

(i) a material diminution in Employee's title, duties or responsibilities with the Company Group;

(ii) the relocation of the geographic location of Employee's principal place of employment by more than fifty (50) miles from the location of Employee's principal place of employment as of the Effective Date;

(iii) a relocation of Employee's principal residence required by the Company;

(iv) a material reduction in Employee's Base Salary, other than as part of one or more decreases that are applied to all of the Company's similarly situated employees;

(v) a material reduction in Employee's target bonus opportunity under the STI Plan, other than as part of one or more decreases that are applied to all of the Company's similarly situated employees; or

(vi) a material breach by the Company of any material provision of this Agreement or any other written agreement between Employee and the Company.

Notwithstanding the foregoing provisions of this Section 7(c) or any other provision of this Agreement to the contrary, any assertion by Employee of a termination for Good Reason shall not be effective unless all of the following conditions are satisfied: (A) the condition described in Section 7(c)(i), (ii), (iii), (iv), (v) or (vi) giving rise to Employee's termination of employment must have arisen without Employee's consent; (B) Employee must provide written notice to the

Board of the existence of such condition(s) within thirty (30) days after the initial occurrence of such condition(s); (C) the condition(s) specified in such notice must remain uncorrected for thirty (30) days following the Board's receipt of such written notice; and (D) the date of Employee's termination of employment must occur within sixty-five (65) days after the initial occurrence of the condition(s) specified in such notice.

(d) Death or Disability. Upon the death or Disability of Employee, Employee's employment with Company shall automatically (and without any further action by any person or entity) terminate. For purposes of this Agreement, a "**Disability**" shall exist if Employee is unable to perform the essential functions of Employee's position (after accounting for reasonable accommodation, if applicable and required by applicable law), due to physical or mental impairment that continues, or can reasonably be expected to continue, for a period in excess of one hundred-twenty (120) consecutive days or one hundred-eighty (180) days, whether or not consecutive (or for any longer period as may be required by applicable law), in any twelve (12)-month period. The determination of whether Employee has incurred a Disability shall be made in good faith by the Company.

(e) Employee's Right to Terminate for Convenience. In addition to Employee's right to terminate Employee's employment for Good Reason, Employee shall have the right to terminate Employee's employment with the Company for convenience at any time during the Term and for any other reason, or no reason at all, upon fourteen (14) days' advance written notice to the Company; *provided, however*, that if Employee has provided notice to the Company of Employee's termination of employment, the Company may determine, in its sole discretion, that such termination shall be effective on any date prior to the effective date of termination provided in such notice (and, if such earlier date is so required, then it shall not change the basis for Employee's termination of employment nor be construed or interpreted as a termination of employment pursuant to Section 7(b)).

(f) Effect of Termination.

(i) If, prior to the expiration of the Term, Employee's employment hereunder is terminated by the Company without Cause (referred to herein as the Company's right to terminate for convenience) pursuant to Section 7(b), by Employee for Good Reason pursuant to Section 7(c) or as a result of Employee's death or Disability pursuant to Section 7(d), then so long as (and only if) Employee (or Employee's estate, if applicable): (A) executes on or before the Release Expiration Date (as defined below), and does not revoke within any time provided by the Company to do so, a release of all claims in a form reasonably acceptable to the Company, which shall not include additional restrictive covenants related to competition or solicitation (the "**Release**"), which Release shall release each member of the Company Group and their respective affiliates, and the foregoing entities' respective shareholders, members, partners, officers, managers, directors, fiduciaries, employees, representatives, agents and benefit plans (and fiduciaries of such plans) from any and all claims, including any and all causes of action arising out of Employee's employment with the Company and any other member of the Company Group or the termination of such employment, but excluding all claims to severance payments Employee may have under this Section 7; and (B) abides by the terms of each of Sections 9, 10 and 11, then:

(A) the Company shall make severance payments to Employee in a total amount equal to (x) a number of months' worth of Employee's Base Salary equal to the lesser of (I) twelve (12) or (II) the number of complete calendar months remaining in the Term, *plus* (y) an amount equal to the target bonus under the STI Plan for the year in which such termination occurs (such total severance payments being referred to as the "**Severance Payment**"). The Severance Payment will be divided into twenty-six (26) substantially equal installments (or such lesser number of installments equal to the number of remaining regularly scheduled pay dates in the Term). On the Company's first regularly scheduled pay date that is on or after the date that is sixty (60) days after the date on which Employee's employment terminates (the "**Termination Date**"), the Company shall pay to Employee, without interest, a number of such installments equal to the number of such installments that would have been paid during the period beginning on the Termination Date and ending on the Company's first regularly scheduled pay date that is on or after the date that is sixty (60) days after the Termination Date had the installments been paid on a monthly basis commencing on the Company's first regularly scheduled pay date coincident with or next following the Termination Date, and each of the remaining installments shall be paid on a bi-weekly basis thereafter; *provided, however*, that to the extent, if any, that the aggregate amount of the installments of the Severance Payment that would otherwise be paid pursuant to the preceding provisions of this Section 7(f)(i) after March 15 of the calendar year following the calendar year in which the Termination Date occurs (the "**Applicable March 15**") exceeds the maximum exemption amount under Treasury Regulation Section 1.409A-1(b)(9)(iii)(A), then such excess shall be paid to Employee in a lump sum on the Applicable March 15 (or the first Business Day preceding the Applicable March 15 if the Applicable March 15 is not a Business Day) and the installments of the Severance Payment payable after the Applicable March 15 shall be reduced by such excess (beginning with the installment first payable after the Applicable March 15 and continuing with the next succeeding installment until the aggregate reduction equals such excess). "**Business Day**" shall mean any day except a Saturday, Sunday or other day on which commercial banks in New York, New York or Houston, Texas are authorized or required by law to be closed.

(B) During the portion, if any, of the lesser of (x) the twelve (12)-month period following the Termination Date or (y) the remainder of the Term (as applicable, the "**Reimbursement Period**") that Employee elects to continue coverage for Employee and Employee's spouse and eligible dependents, if any, under the Company's group health plans pursuant to Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"), the Company shall promptly reimburse Employee on a monthly basis for the difference between the amount Employee pays to effect and continue such coverage and the employee contribution amount that similarly situated employees of the Company pay for the same or similar coverage under such group health plans (the "**COBRA Benefit**"). Each payment of the COBRA Benefit shall be paid to Employee on the Company's first regularly scheduled pay date in the calendar month immediately following the calendar month in which Employee submits to the Company documentation of the

applicable premium payment having been paid by Employee, which documentation shall be submitted by Employee to the Company within thirty (30) days following the date on which the applicable premium payment is paid. Employee shall be eligible to receive such reimbursement payments until the earliest of: (x) the last day of the Reimbursement Period; (y) the date Employee is no longer eligible to receive COBRA continuation coverage; and (z) the date on which Employee becomes eligible to receive coverage under a group health plan sponsored by another employer (and any such eligibility shall be promptly reported to the Company by Employee); *provided, however*, that the election of COBRA continuation coverage and the payment of any premiums due with respect to such COBRA continuation coverage shall remain Employee's sole responsibility, and the Company shall not assume any obligation for payment of any such premiums relating to such COBRA continuation coverage. Notwithstanding the foregoing, if the provision of the benefits described in this paragraph cannot be provided in the manner described above without penalty, tax or other adverse impact on the Company or any other member of the Company Group, then the Company and Employee shall negotiate in good faith to determine an alternative manner in which the Company may provide substantially equivalent benefits to Employee without such adverse impact on the Company or such other member of the Company Group.

(ii) Unless the parties hereto expressly agree in writing otherwise, if the Release is not executed and returned to the Company on or before the Release Expiration Date, and the required revocation period has not fully expired without revocation of the Release by Employee, then Employee (or Employee's estate) shall not be entitled to any portion of the Severance Payment or COBRA Benefit. As used herein, the "**Release Expiration Date**" is that date that is twenty-one (21) days following the date upon which the Company delivers the Release to Employee (which shall occur no later than seven (7) days after the Termination Date) or, in the event that such termination of employment is "in connection with an exit incentive or other employment termination program" (as such phrase is defined in the Age Discrimination in Employment Act of 1967), the date that is forty-five (45) days following such delivery date.

(iii) For the avoidance of doubt, (A) the Severance Payment and COBRA Benefit (and any portions thereof) shall not be payable if Employee's employment terminates for any reason upon or at any time following the expiration of the Term; and (B) Employee shall not be eligible for the Severance Payment or COBRA Benefit in the event that the Employment Period ends due to a termination by the Company for Cause pursuant to Section 7(a) or by Employee for convenience pursuant to Section 7(e).

(g) After-Acquired Evidence. Notwithstanding any provision of this Agreement to the contrary, in the event that the Company determines that Employee is eligible to receive the Severance Payment and COBRA Benefit pursuant to Section 7(f) but, after such determination, the Company subsequently acquires evidence or determines that: (i) Employee has failed to abide by the terms of Sections 9, 10 or 11; or (ii) a Cause condition existed prior to the Termination Date that, had the Company been fully aware of such condition, would have given the Company the right to terminate Employee's employment pursuant to Section 7(a), then the Company shall have the right to cease the payment of any future installments of the Severance

Payment or COBRA Benefit, and the Company shall have the right to require Employee to promptly return to the Company all installments of the Severance Payment and COBRA Benefit received by Employee prior to the date that the Company determines that the conditions of this Section 7(g) have been satisfied.

8. **Disclosures**. Promptly (and in any event, within three (3) Business Days) upon becoming aware of (a) any actual or potential Conflict of Interest or (b) any lawsuit, claim or arbitration filed against or involving Employee or any trust or vehicle owned or controlled by Employee, in each case, Employee shall disclose such actual or potential Conflict of Interest or such lawsuit, claim or arbitration to the Board. A “**Conflict of Interest**” shall exist when Employee engages in, or plans to engage in, any activities, associations, or interests that conflict with, or create an appearance of a conflict with, Employee’s duties, responsibilities, authorities, or obligations for and to the Company Group.

9. **Confidentiality**. In the course of Employee’s employment with the Company and the performance of Employee’s duties on behalf of the Company Group hereunder, Employee has been provided and will continue to be provided with, and have access to, Confidential Information (as defined below). In consideration of Employee’s receipt and access to such Confidential Information, and as a condition of Employee’s employment, Employee shall comply with this Section 9.

(a) Both during the Employment Period and thereafter, except as expressly permitted by this Agreement or by directive of the Board, Employee shall not disclose any Confidential Information to any person or entity and shall not use any Confidential Information except for the benefit of the Company Group. Employee acknowledges and agrees that Employee would inevitably use and disclose Confidential Information in violation of this Section 9 if Employee were to violate any of the covenants set forth in Section 10. Employee shall follow all Company policies and protocols regarding the security of all documents and other materials containing Confidential Information (regardless of the medium on which Confidential Information is stored). The covenants of this Section 9(a) shall apply to all Confidential Information, whether now known or later to become known to Employee during the period that Employee is employed by or affiliated with the Company or any other member of the Company Group.

(b) Notwithstanding any provision of Section 9(a) to the contrary, Employee may make the following disclosures and uses of Confidential Information:

(i) disclosures to other employees of a member of the Company Group who have a need to know the information in connection with the businesses of the Company Group;

(ii) disclosures to customers and suppliers when, in the reasonable and good faith belief of Employee, such disclosure is in connection with Employee’s performance of Employee’s duties under this Agreement and is in the best interests of the Company Group;

(iii) disclosures and uses that are approved in writing by the Board; or

(iv) disclosures to a person or entity that has (x) been retained by a member of the Company Group to provide services to one or more members of the Company Group and (y) agreed in writing to abide by the terms of a confidentiality agreement.

(c) Upon the expiration of the Employment Period, and at any other time upon request of the Company, Employee shall promptly surrender and deliver to the Company all documents (including electronically stored information) and all copies thereof and all other materials of any nature containing or pertaining to all Confidential Information and any other Company Group property (including any Company Group-issued computer, mobile device or other equipment) in Employee's possession, custody or control and Employee shall not retain any such documents or other materials or property of the Company Group. Within five (5) days of any such request, Employee shall certify to the Company in writing that all such documents, materials and property have been returned to the Company.

(d) All trade secrets, non-public information, designs, ideas, concepts, improvements, product developments, discoveries and inventions, whether patentable or not, that are conceived, made, developed or acquired by or disclosed to Employee, individually or in conjunction with others, during the period that Employee is employed and has previously been employed by the Company or any other member of the Company Group (whether during business hours or otherwise and whether on the Company's premises or otherwise) that relate to any member of the Company Group's businesses or properties, products or services (including all such information relating to corporate opportunities, operations, future plans, methods of doing business, business plans, strategies for developing business and market share, research, financial and sales data, pricing terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or acquisition targets or their requirements, the identity of key contacts within customers' organizations or within the organization of acquisition prospects, or marketing and merchandising techniques, prospective names and marks) is defined as "**Confidential Information**." Moreover, all documents, videotapes, written presentations, brochures, drawings, memoranda, notes, records, files, correspondence, manuals, models, specifications, computer programs, e-mail, voice mail, electronic databases, maps, drawings, architectural renditions, models and all other writings or materials of any type including or embodying any of such information, ideas, concepts, improvements, discoveries, inventions and other similar forms of expression are and shall be the sole and exclusive property of the Company Group and be subject to the same restrictions on disclosure applicable to all Confidential Information pursuant to this Agreement. For purposes of this Agreement, Confidential Information shall not include any information that (i) is or becomes generally available to the public other than as a result of a disclosure or wrongful act of Employee or any of Employee's agents; (ii) was available to Employee on a non-confidential basis before its disclosure by a member of the Company Group; or (iii) becomes available to Employee on a non-confidential basis from a source other than a member of the Company Group; *provided, however*, that such source is not bound by a confidentiality agreement with, or other obligation with respect to confidentiality to, a member of the Company Group.

(e) Notwithstanding the foregoing, nothing in this Agreement shall prohibit or restrict Employee from lawfully (i) initiating communications directly with, cooperating with, providing information to, causing information to be provided to, or otherwise assisting in an

investigation by, any governmental authority (including the Securities and Exchange Commission) regarding a possible violation of any law; (ii) responding to any inquiry or legal process directed to Employee from any such governmental authority; (iii) testifying, participating or otherwise assisting in any action or proceeding by any such governmental authority relating to a possible violation of law, or (iv) making any other disclosures that are protected under the whistleblower provisions of any applicable law. Additionally, pursuant to the federal Defend Trade Secrets Act of 2016, an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (1) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney and (2) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made to the individual's attorney in relation to a law suit for retaliation against the individual for reporting a suspected violation of law or (C) is made in a complaint or other document filed in a law suit or proceeding, if such filing is made under seal. Nothing in this Agreement requires Employee to obtain prior authorization before engaging in any conduct described in this paragraph, or to notify the Company that Employee has engaged in any such conduct.

10. Non-Competition; Non-Solicitation

(a) The Company has provided and shall, during the Employment Period, continue to provide Employee access to Confidential Information for use only during the Employment Period, and Employee acknowledges and agrees that the Company Group will be entrusting Employee, in Employee's unique and special capacity, with developing the goodwill of the Company Group, and in consideration of the Company providing Employee with access to Confidential Information, in further consideration of Parent granting restricted shares to Employee pursuant to the Restricted Stock Agreement, and as an express incentive for the Company to enter into this Agreement and employ Employee hereunder, Employee has voluntarily agreed to the covenants set forth in this Section 10. Employee agrees and acknowledges that the limitations and restrictions set forth herein, including geographical and temporal restrictions on certain competitive activities, are reasonable in all respects, will not cause Employee undue hardship, and are material and substantial parts of this Agreement intended and necessary to prevent unfair competition and to protect the Company Group's Confidential Information, goodwill and legitimate business interests.

(b) During the Prohibited Period, Employee shall not, without the prior written approval of the Board, directly or indirectly, for Employee or on behalf of or in conjunction with any other person or entity of any nature:

(i) engage in or participate within the Market Area in competition with any member of the Company Group in any aspect of the Business, which prohibition shall prevent Employee from directly or indirectly: (A) owning, managing, operating, or being an officer or director of, any business that competes with any member of the Company Group in the Market Area, or (B) joining, becoming an employee or consultant of, or otherwise being affiliated with, any person or entity engaged in, or planning to engage in, the Business in the Market Area in competition, or anticipated competition, with any member of the Company Group in any capacity (with respect to this clause (B)) in which Employee's duties or responsibilities are the same as or similar to the duties or responsibilities that Employee had on behalf of any member of the Company Group;

(ii) appropriate any Business Opportunity of, or relating to, any member of the Company Group located in the Market Area;

(iii) solicit, canvass, approach, encourage, entice or induce any customer or supplier of any member of the Company Group to cease or lessen such customer's or supplier's business with any member of the Company Group; or

(iv) solicit, canvass, approach, encourage, entice or induce any employee or contractor of any member of the Company Group to terminate his, her or its employment or engagement with any member of the Company Group.

(c) Notwithstanding the foregoing, following the Termination Date, the above-referenced limitations in Sections 10(b)(i), (ii) and (iii) shall not apply in those portions of the Market Area located within the State of Oklahoma. Instead, Employee agrees that, following the Termination Date, the restrictions on Employee's activities within those portions of the Market Area located within the State of Oklahoma (in addition to those restrictions set forth in Section 10(b)(iv) above) shall be as follows: during that portion of the Prohibited Period that follows the Termination Date, Employee will not directly solicit the sale of goods, services, or a combination of goods and services from the established customers of the Company or any other member of the Company Group. Further, Employee will not be deemed to be engaging in the Business in violation of Section 10(b)(i)(B) by virtue of performing duties similar to those performed for a member of the Company Group in the course of employment with an entity whose primary business is as an operator in the oil and gas exploration and production industry (an "**Operator**"), so long as such Operator only performs the services that constitute the Business for its own operations, and such Operator does not perform such services for customers.

(d) Notwithstanding the restrictions contained in Section 10(b)(i), (ii) and (iii), Employee may own an interest in a private equity fund or hedge fund that has a direct or indirect investment in a company engaged in the Business that competes or has plans to compete with the Company (a "Competitor") so long as such investment contemplated by this Section 10(d) is not (A) directly in, or directly tied to, equity interests of the Competitor and (B) Employee does not participate in any director, officer, consulting or similar role relating to such Competitor, without violating the provisions of Section 10(b)(i), provided that neither Employee nor any of Employee's affiliates has the power, directly or indirectly, to control or direct the management or affairs of any such entity and is not involved in the management of such entity.

(e) Because of the difficulty of measuring economic losses to the Company Group as a result of a breach or threatened breach of the covenants set forth in Section 9 and in this Section 10, and because of the immediate and irreparable damage that would be caused to the members of the Company Group for which they would have no other adequate remedy, the Company and each other member of the Company Group shall be entitled to enforce the foregoing covenants, in the event of a breach or threatened breach, by injunctions and restraining orders from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall not be the Company's or any other member of the Company Group's exclusive remedy for a breach but instead shall be in

addition to all other rights and remedies available to the Company and each other member of the Company Group at law and equity.

(f) The covenants in this Section 10, and each provision and portion hereof, are severable and separate, and the unenforceability of any specific covenant (or portion thereof) shall not affect the provisions of any other covenant (or portion thereof). Moreover, in the event any arbitrator or court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which such arbitrator or court deems reasonable, and this Agreement shall thereby be reformed.

(g) The following terms shall have the following meanings:

(i) “ **Business** ” shall mean the business and operations that are the same or similar to those performed by the Company and any other member of the Company Group for which Employee provides services during the twelve (12) month period prior to the Termination Date or about which Employee obtains Confidential Information during the Employment Period, which business and operations include such businesses and operations as may be described in Parent’s periodic and current reports filed with the Securities and Exchange Commission from time to time, and other services ancillary thereto, specifically as applied to any equipment, hardware, software, knowledge, processes, customers, strategies, known future plans, and vendors which are contained, classified, known or performed in connection with such services.

(ii) “ **Business Opportunity** ” shall mean any commercial, investment or other business opportunity relating to the Business.

(iii) “ **Market Area** ” shall mean: (A) the counties and parishes set forth on Exhibit A hereto; and (B) any other geographic area or market where or with respect to which (x) Employee provides or has provided services on behalf of the Company or any other member of the Company Group during the Employment Period or (y) the Company or any other member of the Company Group has specific plans to conduct any business and Employee provides material services with respect to such plans.

(iv) “ **Prohibited Period** ” shall mean the period starting on the Effective Date and ending on the date that is the earlier to occur of: (A) one year following the Termination Date; or (B) the fifth (5th) anniversary of the Effective Date.

11. **Ownership of Intellectual Property**. Employee agrees that the Company shall own, and Employee shall (and hereby does) assign, all right, title and interest (including patent rights, copyrights, trade secret rights, mask work rights, trademark rights, and all other intellectual and industrial property rights of any sort throughout the world) relating to any and all inventions (whether or not patentable), works of authorship, mask works, designs, know-how, ideas and information authored, created, contributed to, made or conceived or reduced to practice, in whole or in part, by Employee during the period in which Employee is or has been employed by or affiliated with the Company or any other member of the Company Group that either (a) relate, at the time of conception, reduction to practice, creation, derivation or development, to any member

of the Company Group's businesses or actual or anticipated research or development, or (b) were developed on any amount of the Company's or any other member of the Company Group's time or with the use of any member of the Company Group's equipment, supplies, facilities or trade secret information (all of the foregoing collectively referred to herein as "**Company Intellectual Property**"), and Employee shall promptly disclose all Company Intellectual Property to the Company. All of Employee's works of authorship and associated copyrights created during the period in which Employee is employed by or affiliated with the Company or any other member of the Company Group and in the scope of Employee's employment or engagement shall be deemed to be "works made for hire" within the meaning of the Copyright Act. Employee shall perform, during and after the period in which Employee is or has been employed by or affiliated with the Company or any other member of the Company Group, all acts deemed necessary by the Company to assist each member of the Company Group, at the Company's expense, in obtaining and enforcing its rights throughout the world in the Company Intellectual Property. Such acts may include execution of documents and assistance or cooperation (i) in the filing, prosecution, registration, and memorialization of assignment of any applicable patents, copyrights, mask work, or other applications, (ii) in the enforcement of any applicable patents, copyrights, mask work, moral rights, trade secrets, or other proprietary rights, and (iii) in other legal proceedings related to the Company Intellectual Property.

12. Arbitration.

(a) Subject to Section 12(b), any dispute, controversy or claim between Employee and any member of the Company Group arising out of or relating to this Agreement or Employee's employment or engagement with any member of the Company Group will be finally settled by arbitration in Houston, Texas in accordance with the then-existing American Arbitration Association ("**AAA**") Employment Arbitration Rules. The arbitration award, if any, shall be final and binding on both parties. Any arbitration conducted under this Section 12 shall be heard by a single arbitrator (the "**Arbitrator**") selected in accordance with the then-applicable rules of the AAA. The Arbitrator shall expeditiously hear and decide all matters concerning the dispute. Except as expressly provided to the contrary in this Agreement, the Arbitrator shall have the power to (i) gather such materials, information, testimony and evidence as the Arbitrator deems relevant to the dispute before him or her (and each party will provide such materials, information, testimony and evidence requested by the Arbitrator), and (ii) grant injunctive relief and enforce specific performance. The decision of the Arbitrator shall be reasoned, rendered in writing, be final and binding upon the disputing parties and the parties agree that judgment upon the award may be entered by any court of competent jurisdiction. The Company shall pay the applicable AAA fees (including filing and Arbitrator's fees), recognizing that each side bears its own deposition, witness, expert, attorneys' and other fees and expenses.

(b) Notwithstanding Section 12(a), either party may make a timely application for, and obtain, judicial emergency or temporary injunctive relief to enforce any of the provisions of Sections 9 through 11; *provided, however*, that the remainder of any such dispute (beyond the application for emergency or temporary injunctive relief) shall be subject to arbitration under this Section 12.

(c) By entering into this Agreement and entering into the arbitration provisions of this Section 12, THE PARTIES EXPRESSLY ACKNOWLEDGE AND AGREE THAT THEY

ARE KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVING THEIR RIGHTS TO A JURY TRIAL.

(d) Nothing in this Section 12 shall prohibit a party to this Agreement from (i) instituting litigation to enforce any arbitration award, or (ii) joining the other party to this Agreement in a litigation initiated by a person or entity that is not a party to this Agreement. Further, nothing in this Section 12 precludes Employee from filing a charge or complaint with a federal, state or other governmental administrative agency.

13. **Defense of Claims**. During the Employment Period and thereafter, upon request from the Company, Employee shall cooperate with the Company Group in the defense of any claims or actions that may be made by or against any member of the Company Group that relate to Employee's actual or prior areas of responsibility. The Company shall reimburse Employee for any reasonable out of pocket expenses incurred by Employee in providing such cooperation, so long as Employee provides documentation of such expenses in a form satisfactory to the Company.

14. **Withholdings; Deductions**. The Company may withhold and deduct from any benefits and payments made or to be made pursuant to this Agreement (a) all federal, state, local and other taxes as may be required pursuant to any law or governmental regulation or ruling and (b) any deductions consented to in writing by Employee.

15. **Title and Headings; Construction**. Titles and headings to Sections hereof are for the purpose of reference only and shall in no way limit, define or otherwise affect the provisions hereof. Any and all Exhibits or Attachments referred to in this Agreement are, by such reference, incorporated herein and made a part hereof for all purposes. Unless the context requires otherwise, all references to laws, regulations, contracts, agreements and instruments refer to such laws, regulations, contracts, agreements and instruments as they may be amended from time to time, and references to particular provisions of laws or regulations include a reference to the corresponding provisions of any succeeding law or regulation. All references to "dollars" or "\$" in this Agreement refer to United States dollars. The word "or" is not exclusive. The words "herein", "hereof", "hereunder" and other compounds of the word "here" shall refer to the entire Agreement, including all Exhibits attached hereto, and not to any particular provision hereof. Wherever the context so requires, the masculine gender includes the feminine or neuter, and the singular number includes the plural and conversely. All references to "including" shall be construed as meaning "including without limitation ." Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against any party hereto, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by each of the parties hereto and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the parties hereto.

16. **Applicable Law; Submission to Jurisdiction**. This Agreement shall in all respects be construed according to the laws of the State of Texas without regard to its conflict of laws principles that would result in the application of the laws of another jurisdiction. With respect to any claim or dispute related to or arising under this Agreement, the parties hereby consent to the arbitration provisions of Section 12 and recognize and agree that should any resort to a court be necessary and permitted under this Agreement, then they consent to the jurisdiction, forum and venue of the state and federal courts (as applicable) located in Harris County, Texas.

17. **Entire Agreement and Amendment**. This Agreement, the Restricted Stock Agreement and the award agreement for each outstanding award granted to Employee under the Select Energy Services, Inc. 2016 Equity Incentive Plan contain the entire agreement of the parties with respect to the matters covered herein and supersede all prior and contemporaneous agreements and understandings, oral or written, between the parties hereto concerning the subject matter hereof. Without limiting the scope of the preceding sentence, except as otherwise expressly provided in this Section 17, all understandings and agreements preceding the Effective Date and relating to the subject matter hereof (including, without limitation, any prior employment agreement) are hereby null and void and of no further force or effect, and this Agreement shall supersede all other agreements, written or oral that purport to govern the terms of Employee's employment (including Employee's compensation) with any member of the Company Group. In entering into this Agreement, Employee expressly acknowledges and agrees that Employee has received all sums and compensation that Employee has been owed, is owed, or ever could be owed for services provided to any member of the Company Group through the date Employee signs this Agreement, with the exception of any unpaid Base Salary for the pay period that includes the date on which Employee signs this Agreement. This Agreement may be amended only by a written instrument executed by both parties hereto.

18. **Waiver of Breach**. Any waiver of this Agreement must be executed by the party to be bound by such waiver. No waiver by either party hereto of a breach of any provision of this Agreement by the other party, or of compliance with any condition or provision of this Agreement to be performed by such other party, will operate or be construed as a waiver of any subsequent breach by such other party or any similar or dissimilar provision or condition at the same or any subsequent time. The failure of either party hereto to take any action by reason of any breach will not deprive such party of the right to take action at any time.

19. **Assignment**. This Agreement is personal to Employee, and neither this Agreement nor any rights or obligations hereunder shall be assignable or otherwise transferred by Employee. The Company may assign this Agreement without Employee's consent, including to any member of the Company Group and to any successor to or acquirer of (whether by merger, purchase or otherwise) all or substantially all of the equity, assets or businesses of the Company.

20. **Notices**. Notices provided for in this Agreement shall be in writing and shall be deemed to have been duly received (a) when delivered in person, (b) when sent by facsimile transmission (with confirmation of transmission) on a Business Day to the number set forth below, if applicable; *provided, however*, that if a notice is sent by facsimile transmission after normal business hours of the recipient or on a non-Business Day, then it shall be deemed to have been received on the next Business Day after it is sent, (c) on the first Business Day after such notice is sent by express overnight courier service, or (d) on the second Business Day following deposit with an internationally-recognized second-day courier service with proof of receipt maintained, in each case, to the following address, as applicable:

If to the Company, addressed to:

Select Energy Services, LLC
1820 N I-35

Gainesville, Texas 76240

Attn: Senior Vice President, General Counsel and Corporate Secretary

If to Employee, addressed to Employee's last known address on file with the Company

21. **Counterparts**. This Agreement may be executed in any number of counterparts, including by electronic mail or facsimile, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a copy hereof containing multiple signature pages, each signed by one party, but together signed by both parties hereto.

22. **Deemed Resignations**. Except as otherwise determined by the Board or as otherwise agreed to in writing by Employee and any member of the Company Group prior to the termination of Employee's employment with the Company or any member of the Company Group, any termination of Employee's employment shall constitute, as applicable, an automatic resignation of Employee: (a) as an officer of the Company and each member of the Company Group; (b) from the Board; and (c) from the board of directors or board of managers (or similar governing body) of any member of the Company Group and from the board of directors or board of managers (or similar governing body) of any corporation, limited liability entity, unlimited liability entity or other entity in which any member of the Company Group holds an equity interest and with respect to which board of directors or board of managers (or similar governing body) Employee serves as such Company Group member's designee or other representative.

23. **Section 409A**.

(a) Notwithstanding any provision of this Agreement to the contrary, all provisions of this Agreement are intended to comply with Section 409A of the Internal Revenue Code of 1986 (the "**Code**"), and the applicable Treasury regulations and administrative guidance issued thereunder (collectively, "**Section 409A**") or an exemption therefrom and shall be construed and administered in accordance with such intent. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Any payments to be made under this Agreement upon a termination of Employee's employment shall only be made if such termination of employment constitutes a "separation from service" under Section 409A.

(b) To the extent that any right to reimbursement of expenses or payment of any benefit in-kind under this Agreement constitutes nonqualified deferred compensation (within the meaning of Section 409A), (i) any such expense reimbursement shall be made by the Company no later than the last day of Employee's taxable year following the taxable year in which such expense was incurred by Employee, (ii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (iii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year; *provided*, that the foregoing clause shall not be violated with regard to expenses reimbursed under any

arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period in which the arrangement is in effect.

(c) Notwithstanding any provision in this Agreement to the contrary, if any payment or benefit provided for herein would be subject to additional taxes and interest under Section 409A if Employee's receipt of such payment or benefit is not delayed until the earlier of (i) the date of Employee's death or (ii) the date that is six (6) months after the Termination Date (such date, the "**Section 409A Payment Date**"), then such payment or benefit shall not be provided to Employee (or Employee's estate, if applicable) until the Section 409A Payment Date. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement are exempt from, or compliant with, Section 409A and in no event shall any member of the Company Group be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by Employee on account of non-compliance with Section 409A.

24. **Certain Excise Taxes**. Notwithstanding anything to the contrary in this Agreement, if Employee is a "disqualified individual" (as defined in Section 280G(c) of the Code), and the payments and benefits provided for in this Agreement, together with any other payments and benefits which Employee has the right to receive from the Company or any of its affiliates, would constitute a "parachute payment" (as defined in Section 280G(b)(2) of the Code), then the payments and benefits provided for in this Agreement shall be either (a) reduced (but not below zero) so that the present value of such total amounts and benefits received by Employee from the Company or any of its affiliates shall be one dollar (\$1.00) less than three times Employee's "base amount" (as defined in Section 280G(b)(3) of the Code) and so that no portion of such amounts and benefits received by Employee shall be subject to the excise tax imposed by Section 4999 of the Code or (b) paid in full, whichever produces the better net after-tax position to Employee (taking into account any applicable excise tax under Section 4999 of the Code and any other applicable taxes). The reduction of payments and benefits hereunder, if applicable, shall be made by reducing, first, payments or benefits to be paid in cash hereunder in the order in which such payment or benefit would be paid or provided (beginning with such payment or benefit that would be made last in time and continuing, to the extent necessary, through to such payment or benefit that would be made first in time) and, then, reducing any benefit to be provided in-kind hereunder in a similar order. The determination as to whether any such reduction in the amount of the payments and benefits provided hereunder is necessary shall be made by the Company in good faith. If a reduced payment or benefit is made or provided and through error or otherwise that payment or benefit, when aggregated with other payments and benefits from the Company or any of its affiliates used in determining if a "parachute payment" exists, exceeds one dollar (\$1.00) less than three times Employee's base amount, then Employee shall immediately repay such excess to the Company upon notification that an overpayment has been made. Nothing in this Section 24 shall require the Company to be responsible for, or have any liability or obligation with respect to, Employee's excise tax liabilities under Section 4999 of the Code.

25. **Clawback**. To the extent required by applicable law or any applicable securities exchange listing standards, or as otherwise determined by the Board (or a committee thereof), amounts paid or payable under this Agreement shall be subject to the provisions of any applicable clawback policies or procedures adopted by the Company, which clawback policies or procedures may provide for forfeiture and/or recoupment of amounts paid or payable under this

Agreement. Notwithstanding any provision of this Agreement to the contrary, the Company reserves the right, without the consent of Employee, to adopt any such clawback policies and procedures, including such policies and procedures applicable to this Agreement with retroactive effect.

26. **Effect of Termination**. The provisions of Sections 7, 9 - 14 and 22 and those provisions necessary to interpret and enforce them, shall survive any termination of this Agreement and any termination of the employment relationship between Employee and the Company.

27. **Third-Party Beneficiaries**. Each member of the Company Group that is not a signatory to this Agreement shall be a third-party beneficiary of Employee's obligations under Sections 8, 9, 10, 11, 12 and 22 and shall be entitled to enforce such obligations as if a party hereto.

28. **Severability**. If an arbitrator or court of competent jurisdiction determines that any provision of this Agreement (or portion thereof) is invalid or unenforceable, then the invalidity or unenforceability of that provision (or portion thereof) shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect.

[Remainder of Page Intentionally Blank;
Signature Page Follows]

IN WITNESS WHEREOF, Employee and the Company each have caused this Agreement to be executed and effective as of the Effective Date.

EMPLOYEE

/s/ Michael Skarke

Michael Skarke

SELECT ENERGY SERVICES, LLC

By: /s/ Holli Ladhani

Name: Holli Ladhani
Title: President and Chief Executive Officer

Signature Page to
Employment Agreement

EXHIBIT A
MARKET AREA

STATE	COUNTY/PARISH			
COLORADO	Adams	Arapahoe	Weld	
LOUISIANA	Bossier Caddo	De Soto Jackson	Lincoln Red River	Sabine
NEW MEXICO	Chaves	Eddy	Lea	San Juan
NORTH DAKOTA	Billings Burke	Divide Dunn	Golden Valley McKenzie	Mountrail Williams
OHIO	Ashland Belmont	Guernsey Harrison	Jefferson Monroe	Summit Trumbull
OKLAHOMA	Alfalfa Beckham Blaine Canadian Carter Coal Custer	Dewey Ellis Garfield Garvin Grady Hughes Kingfisher	Lincoln Logan Love Major McClain Oklahoma	Pittsburg Roger Mills Stephens Washita Woods Woodward
PENNSYLVANIA	Armstrong Bradford Elk	Greene Lycoming Sullivan	Tioga Washington	Westmoreland Wyoming
TEXAS	Andrews Angelina Atascosa Borden Culberson DeWitt Dimmit Ector Frio Glasscock Gonzales	Hemphill Henderson Howard Irion Jackson Karnes La Salle Lavaca Live Oak Loving Martin	Maverick McMullen Midland Nacogdoches Panola Pecos Reagan Reeves Roberts Rusk San Augustine	Shelby Tarrant Tom Green Upton Ward Webb Wheeler Winkler Wise Zavala
UTAH	Duchesne			
WEST VIRGINIA	Brooke Doddridge Harrison	Marion Marshall Monongalia	Ohio Ritchie	Tyler Wetzel
WYOMING	Campbell Converse	Johnson	Laramie	Sweetwater

Exhibit A

EMPLOYMENT AGREEMENT

This Employment Agreement (“**Agreement**”) is made and entered into by and between Select Energy Services, LLC, a Delaware limited liability company (the “**Company**”), and Nick Swyka (“**Employee**”) effective as of March 1, 2019 (the “**Effective Date**”).

WHEREAS, Employee is currently employed by the Company; and

WHEREAS, the Company desires to continue to employ Employee, and Employee desires to continue to be employed by the Company, pursuant to the terms of this Agreement.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements herein contained, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. **Employment**. During the Employment Period (as defined in Section 4), the Company shall employ Employee, and Employee shall serve, as Senior Vice President and Chief Financial Officer of the Company and in such other position or positions as may be agreed to by Employee and the Company from time to time.

2. **Duties and Responsibilities of Employee**.

(a) During the Employment Period, Employee shall devote Employee’s best efforts and full business time and attention to the businesses of Select Energy Services, Inc., a Delaware corporation and the parent of the Company (“**Parent**”) and its direct and indirect subsidiaries as may exist from time to time, including the Company (collectively, Parent and its direct and indirect subsidiaries are referred to as the “**Company Group**”) as may be requested by Parent or the Company from time to time. Employee’s duties and responsibilities shall include those normally incidental to the position(s) identified in Section 1, as well as such additional duties as may be reasonably assigned to Employee by the Company from time to time, which duties and responsibilities may include providing services to other members of the Company Group in addition to the Company. Employee may, without violating this Section 2(a), (i) as a passive investment, either make or manage personal investments that are unrelated to the Business or any Business Opportunity of the Company (as defined in Sections 10(f)(i) and 10(f)(ii)) or own publicly traded securities in such form or manner as will not require any services by Employee in the operation of the entities in which such securities are owned; (ii) engage in charitable and civic activities; or (iii) with the prior written consent of the board of directors of Parent (the “**Board**”), engage in other personal and passive investment activities, in each case, so long as such ownership, interests or activities do not interfere with Employee’s ability to fulfill Employee’s duties and responsibilities under this Agreement and are not inconsistent with Employee’s obligations to any member of the Company Group or competitive with the business of any member of the Company Group.

(b) Employee hereby represents and warrants that Employee is not the subject of, or a party to, any employment agreement, non-competition, non-solicitation, restrictive covenant or non-disclosure agreement, or any other agreement, obligation, restriction or understanding that would prohibit Employee from executing this Agreement or fully performing

each of Employee's duties and responsibilities hereunder, or would in any manner, directly or indirectly, limit or affect any of the duties and responsibilities that may now or in the future be assigned to Employee hereunder. Employee expressly acknowledges and agrees that Employee is strictly prohibited from using or disclosing any confidential information belonging to any prior employer in the course of performing services for any member of the Company Group, and Employee promises that Employee shall not do so. Employee shall not introduce documents or other materials containing confidential information of any prior employer to the premises or property (including computers and computer systems) of any member of the Company Group.

(c) Employee owes each member of the Company Group fiduciary duties (including (i) duties of loyalty and disclosure and (ii) such fiduciary duties that an officer of the Company owes under the laws of the State of Delaware), and the obligations described in this Agreement are in addition to, and not in lieu of, the obligations Employee owes each member of the Company Group under statutory and common law.

3. Compensation.

(a) Base Salary. During the Employment Period, the Company shall pay to Employee an annualized base salary of \$325,000 (the "**Base Salary**") in consideration for Employee's services under this Agreement, payable in substantially equal installments in conformity with the Company's customary payroll practices for similarly situated employees as may exist from time to time, but no less frequently than monthly.

(b) STI Plan. Employee shall be eligible to continue participating in the Company's short-term incentive bonus program (the "**STI Plan**"), subject to the terms of the STI Plan in effect from time to time. Each bonus, if any, paid pursuant to the STI Plan shall be paid as soon as administratively feasible after the Board (or a committee thereof) certifies whether the applicable performance targets for the applicable calendar year have been achieved. Notwithstanding anything in this Section 3(b) to the contrary, no bonus will be paid under the STI Plan for a particular calendar year unless Employee remains continuously employed by the Company from the Effective Date through the date the Board (or a committee thereof) certifies whether the applicable performance targets for the applicable calendar year have been achieved.

4. Term of Employment. The initial term of Employee's employment under this Agreement shall be for the period beginning on the Effective Date and ending on the third anniversary of the Effective Date (the "**Initial Term**"). On the third anniversary of the Effective Date and on each subsequent anniversary thereafter, the term of Employee's employment under this Agreement shall automatically renew and extend for a period of twelve (12) months (each such twelve (12)-month period being a "**Renewal Term**") unless written notice of non-renewal is delivered by either party to the other not less than sixty (60) days prior to the expiration of the then-existing Initial Term or Renewal Term, as applicable. Notwithstanding any other provision of this Agreement, Employee's employment pursuant to this Agreement may be terminated at any time in accordance with Section 7. The period from the Effective Date through the expiration of this Agreement or, if sooner, the termination of Employee's employment pursuant to this Agreement, regardless of the time or reason for such termination, shall be referred to herein as the "**Employment Period**."

5. **Business Expenses**. Subject to Section 23, the Company shall reimburse Employee for Employee's reasonable out-of-pocket business-related expenses actually incurred in the performance of Employee's duties under this Agreement so long as Employee timely submits all documentation for such expenses, as required by Company policy in effect from time to time. Any such reimbursement of expenses shall be made by the Company upon or as soon as practicable following receipt of such documentation (but in any event not later than the close of Employee's taxable year following the taxable year in which the expense is incurred by Employee). In no event shall any reimbursement be made to Employee for any expenses incurred after the date of Employee's termination of employment with the Company.

6. **Benefits**. During the Employment Period, Employee shall be eligible to participate in the same benefit plans and programs in which other similarly situated Company employees are eligible to participate, subject to the terms and conditions of the applicable plans and programs in effect from time to time. The Company shall not, however, by reason of this Section 6, be obligated to institute, maintain, or refrain from changing, amending, or discontinuing, any such plan or policy, so long as such changes are similarly applicable to similarly situated Company employees generally.

7. **Termination of Employment**.

(a) Company's Right to Terminate Employee's Employment for Cause. The Company shall have the right to terminate Employee's employment hereunder at any time for Cause. For purposes of this Agreement, "**Cause**" shall mean:

(i) Employee's material breach of this Agreement or any other written agreement between Employee and one or more members of the Company Group, including Employee's material breach of any representation, warranty or covenant made under any such agreement;

(ii) Employee's breach of any law applicable to the workplace or employment relationship, or Employee's breach of any policy or code of conduct established by Parent or the Company and applicable to Employee;

(iii) Employee's gross negligence, willful misconduct, breach of fiduciary duty, fraud, theft or embezzlement;

(iv) the commission by Employee of, or conviction or indictment of Employee for, or plea of *nolo contendere* by Employee to, any felony (or state law equivalent) or any crime involving moral turpitude; or

(v) Employee's willful failure or refusal, other than due to Disability, to perform Employee's obligations pursuant to this Agreement or to follow any lawful directive from the Company, as reasonably determined by the Company; *provided, however*, that if Employee's actions or omissions as set forth in this Section 7(a)(v) are of such a nature that they are curable by Employee, such actions or omissions must remain uncured thirty (30) days after the Company first provided Employee written notice of the obligation to cure such actions or omissions.

(b) Company's Right to Terminate for Convenience. The Company shall have the right to terminate Employee's employment for convenience at any time and for any reason, or no reason at all, upon written notice to Employee.

(c) Employee's Right to Terminate for Good Reason. Employee shall have the right to terminate Employee's employment with the Company at any time for Good Reason. For purposes of this Agreement, "**Good Reason**" shall mean:

(i) a material diminution in Employee's Base Salary, other than as part of one or more decreases that shall not exceed, in the aggregate, more than 10% of Employee's Base Salary as in effect at the time of such reduction and that are applied to all of the Company's similarly situated employees;

(ii) a material diminution in Employee's title that results in Employee no longer serving as Chief Financial Officer of Parent, or a material diminution in Employee's authority, duties and responsibilities with the Company Group as a whole; *provided, however*, that if Employee is serving as an officer or member of the board of directors (or similar governing body) of any member of the Company Group (other than the Company or Parent) or any other entity in which a member of the Company Group holds an equity interest, in no event shall the removal of Employee as an officer or board member from such entity, regardless of the reason for such removal, constitute Good Reason or be considered when determining if Good Reason exists;

(iii) the relocation of the geographic location of Employee's principal place of employment by more than fifty (50) miles from the location of Employee's principal place of employment as of the Effective Date;

(iv) a material reduction in Employee's target bonus under the STI Plan, other than as part of one or more decreases that are similarly applied to the Chief Executive Officer of the Company.

Notwithstanding the foregoing provisions of this Section 7(c) or any other provision of this Agreement to the contrary, any assertion by Employee of a termination for Good Reason shall not be effective unless all of the following conditions are satisfied: (A) the condition described in Section 7(c)(i), (ii) or (iii) giving rise to Employee's termination of employment must have arisen without Employee's consent; (B) Employee must provide written notice to the Board of the existence of such condition(s) within thirty (30) days after the initial occurrence of such condition(s); (C) the condition(s) specified in such notice must remain uncorrected for thirty (30) days following the Board's receipt of such written notice; and (D) the date of Employee's termination of employment must occur within sixty (60) days after the initial occurrence of the condition(s) specified in such notice.

(d) Death or Disability. Upon the death or Disability of Employee, Employee's employment with Company shall automatically (and without any further action by any person or entity) terminate with no further obligation under this Agreement of either party hereunder. For purposes of this Agreement, a "**Disability**" shall mean Employee's inability to perform the essential functions of Employee's position (after accounting for reasonable accommodation, if

applicable and required by applicable law), due to physical or mental impairment that continues, or can reasonably be expected to continue, for a period in excess of one hundred-twenty (120) consecutive days or one hundred-eighty (180) days, whether or not consecutive (or for any longer period as may be required by applicable law), in any twelve (12)-month period.

(e) Employee's Right to Terminate for Convenience. In addition to Employee's right to terminate Employee's employment for Good Reason, Employee shall have the right to terminate Employee's employment with the Company for convenience at any time and for any other reason, or no reason at all, upon thirty (30) days' advance written notice to the Company; *provided, however*, that if Employee has provided notice to the Company of Employee's termination of employment, the Company may determine, in its sole discretion, that such termination shall be effective on any date prior to the effective date of termination provided in such notice (and, if such earlier date is so required, then it shall not change the basis for Employee's termination of employment nor be construed or interpreted as a termination of employment pursuant to Section 7(b)).

(f) Effect of Termination.

(i) If Employee's employment hereunder is terminated prior to the expiration of the then-existing Initial Term or Renewal Term, as applicable, by the Company without Cause pursuant to Section 7(b), by Employee for Good Reason pursuant to Section 7(c) or as a result of Employee's death, then so long as (and only if): (1) Employee (or his executor or estate) executes on or before the Release Expiration Date (as defined below), and does not revoke within any time provided by the Company to do so, a release of all claims in a form reasonably acceptable to the Company (the "**Release**"), which Release shall release each member of the Company Group and their respective affiliates, and the foregoing entities' respective shareholders, members, partners, officers, managers, directors, fiduciaries, employees, representatives, agents and benefit plans (and fiduciaries of such plans) from any and all claims, including any and all causes of action arising out of Employee's employment with the Company and any other member of the Company Group or the termination of such employment, but excluding all claims to severance payments Employee may have under this Section 7; and (2) Employee abides by the terms of each of Sections 9, 10 and 11, then:

(A) the Company shall make severance payments to Employee in a total amount equal to (a) twelve (12) months' worth of Employee's Base Salary for the year in which the termination occurs, *plus* (b) an amount equal to the target bonus under the STI Plan for the year in which such termination occurs (such total severance payments being referred to as the "**Severance Payment**"); *provided, however*, that if the Termination Date (as defined below) is on or within: fifteen (15) months following the date of a Change in Control (as defined below) and subject to the terms and conditions set forth in Sections 7(f)(i)(1) and (2) above, then the Company shall, in lieu of the Severance Payment, make severance payments in a total amount equal to (x) eighteen (18) months' worth of Employee's Base Salary for the year in which the Termination Date occurs, *plus* (y) an amount equal to one and one-half times the target bonus under the STI Plan for the year in which the Termination Date occurs (such total severance payments being referred

to as the “ **CIC Severance Payment** ”). The Severance Payment or the CIC Severance Payment (as applicable, the “ **Cash Severance Payment** ”) will be divided into substantially equal installments and paid over a number of months equal to the number of months’ worth of Employee’s Base Salary included in the Cash Severance Payment. On the Company’s first regularly scheduled pay date that is on or after the date that is sixty (60) days after the date on which Employee’s employment terminates (the “ **Termination Date** ”), the Company shall pay to Employee, without interest, a number of such installments equal to the number of such installments that would have been paid during the period beginning on the Termination Date and ending on the Company’s first regularly scheduled pay date that is on or after the date that is sixty (60) days after the Termination Date had the installments been paid commencing on the Company’s first regularly scheduled pay date coincident with or next following the Termination Date, and each of the remaining installments shall be paid on the Company’s regularly scheduled pay dates during the remainder of such twelve (12)-month period (or, if the Termination Date is on or within fifteen (15) months following the date of a Change in Control, such eighteen (18)-month period); *provided, however* , that to the extent, if any, that the aggregate amount of the installments of the Cash Severance Payment that would otherwise be paid pursuant to the preceding provisions of this Section 7(f)(i) after March 15 of the calendar year following the calendar year in which the Termination Date occurs (the “ **Applicable March 15** ”) exceeds the maximum exemption amount under Treasury Regulation Section 1.409A-1(b)(9)(iii)(A), then such excess shall be paid to Employee in a lump sum on the Applicable March 15 (or the first Business Day preceding the Applicable March 15 if the Applicable March 15 is not a Business Day) and the installments of the Cash Severance Payment payable after the Applicable March 15 shall be reduced by such excess (beginning with the installment first payable after the Applicable March 15 and continuing with the next succeeding installment until the aggregate reduction equals such excess). “ **Business Day** ” shall mean any day except a Saturday, Sunday or other day on which commercial banks in New York, New York or Houston, Texas are authorized or required by law to be closed. For the avoidance of doubt, in no event shall Employee be eligible to receive both the Severance Payment and the CIC Severance Payment.

(B) The Company shall pay Employee a pro-rated portion of the bonus under the STI Plan that Employee would have been paid for the calendar year in which the Termination Date occurs, if any (the “ **Pro-Rata Bonus Payment** ”), which Pro-Rata Bonus Payment shall be paid (if the applicable criteria for earning a bonus under the STI Plan for such calendar year, other than the requirement with respect to continued employment through the applicable payment date, are satisfied) to Employee at the same time bonuses under the STI Plan for such calendar year are paid to similarly situated employees of the Company, but in no event no later than March 15 of the calendar year following the calendar year in which the Termination Date occurs.

(C) During the portion, if any, of the fifteen (15)-month period following the Termination Date (the “ **Reimbursement Period** ”) that Employee

elects to continue coverage for Employee and Employee's spouse and eligible dependents, if any, under the Company's group health plans pursuant to Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"), the Company shall promptly reimburse Employee on a monthly basis for the difference between the amount Employee pays to effect and continue such coverage and the employee contribution amount that similarly situated employees of the Company pay for the same or similar coverage under such group health plans (the "**COBRA Benefit**"). Each payment of the COBRA Benefit shall be paid to Employee on the Company's first regularly scheduled pay date in the calendar month immediately following the calendar month in which Employee submits to the Company documentation of the applicable premium payment having been paid by Employee, which documentation shall be submitted by Employee to the Company within thirty (30) days following the date on which the applicable premium payment is due. Employee shall be eligible to receive such reimbursement payments until the earliest of: (x) the last day of the Reimbursement Period; (y) the date Employee is no longer eligible to receive COBRA continuation coverage; and (z) the date on which Employee becomes eligible to receive coverage under a group health plan sponsored by another employer (and any such eligibility shall be promptly reported to the Company by Employee); *provided, however*, that the election of COBRA continuation coverage and the payment of any premiums due with respect to such COBRA continuation coverage shall remain Employee's sole responsibility, and the Company shall not assume any obligation for payment of any such premiums relating to such COBRA continuation coverage. Notwithstanding the foregoing, if the provision of the benefits described in this paragraph cannot be provided in the manner described above without penalty, tax or other adverse impact on the Company or any other member of the Company Group, then the Company and Employee shall negotiate in good faith to determine an alternative manner in which the Company may provide substantially equivalent benefits to Employee without such adverse impact on the Company or such other member of the Company Group.

(ii) If the Release is not executed and returned to the Company on or before the Release Expiration Date, and the required revocation period has not fully expired without revocation of the Release by Employee, then Employee shall not be entitled to any portion of the Cash Severance Payment, Pro-Rata Bonus Payment or COBRA Benefit. As used herein, the "**Release Expiration Date**" is that date that is twenty-one (21) days following the date upon which the Company delivers the Release to Employee (which shall occur no later than seven (7) days after the Termination Date) or, in the event that such termination of employment is "in connection with an exit incentive or other employment termination program" (as such phrase is defined in the Age Discrimination in Employment Act of 1967), the date that is forty-five (45) days following such delivery date.

(iii) For the avoidance of doubt, the Cash Severance Payment, Pro-Rata Bonus Payment and COBRA Benefit (and any portions thereof) shall not be payable (A) if Employee's employment hereunder terminates upon the expiration of the then-existing Initial Term or Renewal Term, as applicable, as a result of a non-renewal of the term of Employee's employment under this Agreement by the Company or Employee pursuant to

Section 4; or (B) in the event that the Employment Period ends due to a termination by the Company for Cause pursuant to Section 7(a), due to Disability pursuant to Section 7(d) or by Employee for convenience pursuant to Section 7(e). Further, notwithstanding the preceding provisions of this Section 7(f), Employee will not be eligible for the CIC Severance Payment, Pro-Rata Bonus Payment or COBRA Benefit (or any portions thereof) if: (x) Employee's employment by the Company ends upon or following a Change in Control, and (y) Employee has declined a Comparable Offer from the purchaser (or its affiliate) of the equity in, or all or substantially all of the assets of, Parent or the Company in such Change in Control transaction (such purchaser or its applicable affiliate, the "**Buyer**"). As used herein, a "**Comparable Offer**" shall be an offer of employment that includes each of: (1) a geographic location of the principal place of employment that is within fifty (50) miles of the location of Employee's principal place of employment as of the time immediately prior to the Change in Control, (2) a base salary not less than the base salary in effect immediately prior to the Change in Control and (3) Employee serving with a title of Chief Financial Officer of Parent or Buyer following such Change in Control.

(g) Change in Control. For purposes of this Agreement, "**Change in Control**" shall have the meaning of such term in Parent's 2016 Equity Incentive Plan, as in effect on the Effective Date (the "**EIP**"), without regard to Section 2(g)(i)(C) of the EIP.

(h) After-Acquired Evidence. Notwithstanding any provision of this Agreement to the contrary, in the event that the Company determines that Employee is eligible to receive the Cash Severance Payment, Pro-Rata Bonus Payment and COBRA Benefit pursuant to Section 7(f) but, after such determination, the Company subsequently acquires evidence that: (i) Employee has failed to abide by the terms of Sections 9, 10 or 11; or (ii) a Cause condition existed prior to the Termination Date that, had the Company been fully aware of such condition, would have given the Company the right to terminate Employee's employment pursuant to Section 7(a), then the Company shall have the right to cease the payment of any future installments of the Cash Severance Payment, Pro-Rata Bonus Payment or COBRA Benefit and Employee shall promptly return to the Company all installments of the Cash Severance Payment, Pro-Rata Bonus Payment and COBRA Benefit received by Employee prior to the date that the Company determines that the conditions of this Section 7(g) have been satisfied.

8. **Disclosures**. Promptly (and in any event, within three (3) Business Days) upon becoming aware of (a) any actual or potential Conflict of Interest or (b) any lawsuit, claim or arbitration filed against or involving Employee or any trust or vehicle owned or controlled by Employee that (with respect to such lawsuit, claim or arbitration) could be reasonably be expected to affect Employee's ability to perform his duties hereunder or, if determined adversely, could reasonably be expected to have an adverse effect on any member of the Company Group, in each case, Employee shall disclose such actual or potential Conflict of Interest or such lawsuit, claim or arbitration to the Board. A "**Conflict of Interest**" shall exist when Employee engages in, or plans to engage in, any activities, associations, or interests that conflict with, or create an appearance of a conflict with, Employee's duties, responsibilities, authorities, or obligations for and to any member of the Company Group.

9. **Confidentiality**. In the course of Employee's employment with the Company and the performance of Employee's duties on behalf of the Company Group hereunder, Employee has

been provided and will continue to be provided with, and have access to, Confidential Information (as defined below). In consideration of Employee's receipt and access to such Confidential Information, and as a condition of Employee's continued employment, Employee shall comply with this Section 9.

(a) Both during the Employment Period and thereafter, except as expressly permitted by this Agreement or by directive of the Board, Employee shall not disclose any Confidential Information to any person or entity (other than a legal or financial advisor of Employee who maintains such Confidential Information in strict confidence) and shall not use any Confidential Information except for the benefit of the Company Group. Employee shall follow all written Company policies and protocols regarding the security of all documents and other materials containing Confidential Information (regardless of the medium on which Confidential Information is stored). The covenants of this Section 9(a) shall apply to all Confidential Information, whether now known as a result of Employee's employment with the Company or later to become known to Employee during the period that Employee is employed by or affiliated with the Company or any other member of the Company Group.

(b) Notwithstanding any provision of Section 9(a) to the contrary, Employee may make the following disclosures and uses of Confidential Information:

(i) disclosures to other employees of a member of the Company Group who have a need to know the information in connection with the businesses of the Company Group;

(ii) disclosures to customers and suppliers when, in the reasonable and good faith belief of Employee, such disclosure is in connection with Employee's performance of Employee's duties under this Agreement and is in the best interests of the Company Group;

(iii) disclosures and uses that are approved in writing by the Board; or

(iv) disclosures to a person or entity that has (x) been retained by a member of the Company Group to provide services to one or more members of the Company Group and (y) agreed in writing, or otherwise has a professional responsibility, to abide by the terms of a confidentiality agreement or keep such Confidential Information confidential, as applicable.

(c) Upon the expiration of the Employment Period, and at any other time upon written request of the Company, Employee shall promptly surrender and deliver to the Company all documents (including electronically stored information) and all copies thereof and all other materials of any nature containing or pertaining to all Confidential Information and any other Company Group property (including any Company Group-issued computer, mobile device or other equipment) in Employee's possession, custody or control and Employee shall not retain any such documents or other materials or property of the Company Group. Within five (5) days of any such request, Employee shall certify to the Company in writing that all such documents, materials and property have been returned to the Company.

(d) All trade secrets, non-public information, designs, ideas, concepts, improvements, product developments, discoveries and inventions, whether patentable or not, that are conceived, made, developed or acquired by or disclosed to Employee, individually or in conjunction with others, during the period that Employee is employed and has previously been employed by the Company or any other member of the Company Group (whether during business hours or otherwise and whether on the Company's premises or otherwise) that relate to any member of the Company Group's businesses or properties, products or services (including all such information relating to corporate opportunities, operations, future plans, methods of doing business, business plans, strategies for developing business and market share, research, financial and sales data, pricing terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or acquisition targets or their requirements, the identity of key contacts within customers' organizations or within the organization of acquisition prospects, or marketing and merchandising techniques, prospective names and marks) is defined as "**Confidential Information**." Moreover, all documents, videotapes, written presentations, brochures, drawings, memoranda, notes, records, files, correspondence, manuals, models, specifications, computer programs, e-mail, voice mail, electronic databases, maps, drawings, architectural renditions, models and all other writings or materials of any type including or embodying any of such information, ideas, concepts, improvements, discoveries, inventions and other similar forms of expression are and shall be the sole and exclusive property of the Company or the applicable member of the Company Group and be subject to the same restrictions on disclosure applicable to all Confidential Information pursuant to this Agreement. For purposes of this Agreement, Confidential Information shall not include any information that (i) is or becomes generally available to the public other than as a result of a disclosure or wrongful act of Employee or any of Employee's agents; (ii) was available to Employee on a non-confidential basis before its disclosure by a member of the Company Group; or (iii) becomes available to Employee on a non-confidential basis from a source other than a member of the Company Group; *provided, however,* that such source is not known by Employee to be bound by a confidentiality agreement with, or other obligation with respect to confidentiality to, a member of the Company Group.

(e) Notwithstanding the foregoing, nothing in this Agreement shall prohibit or restrict Employee from lawfully: (i) initiating communications directly with, cooperating with, providing information to, causing information to be provided to, or otherwise assisting in an investigation by, any governmental authority (including the Securities and Exchange Commission) regarding a possible violation of any law; (ii) responding to any inquiry or legal process directed to Employee from any such governmental authority; (iii) testifying, participating or otherwise assisting in any action or proceeding by any such governmental authority relating to a possible violation of law; or (iv) making any other disclosures that are protected under the whistleblower provisions of any applicable law. Additionally, pursuant to the federal Defend Trade Secrets Act of 2016, an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (1) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney and (2) solely for the purpose of reporting or investigating a suspected violation of law; (B) is made to the individual's attorney in relation to a lawsuit for retaliation against the individual for reporting a suspected violation of law; or (C) is made in a complaint or other document filed in a lawsuit or proceeding, if such filing is made under seal. Nothing in this Agreement requires Employee to obtain prior authorization before engaging in any conduct described in this paragraph, or to notify the Company that Employee has engaged in any such conduct.

10. **Non-Competition; Non-Solicitation**.

(a) The Company has provided and shall, during the Employment Period, continue to provide Employee access to Confidential Information for use only during the Employment Period, and Employee acknowledges and agrees that the Company Group will be entrusting Employee, in Employee's unique and special capacity, with developing the goodwill of the Company Group, and in consideration of the Company providing Employee with access to Confidential Information, and as an express incentive for the Company to enter into this Agreement and to continue to employ Employee hereunder, Employee has voluntarily agreed to the covenants set forth in this Section 10. Employee agrees and acknowledges that the limitations and restrictions set forth herein, including geographical and temporal restrictions on certain competitive activities, are reasonable in all respects, will not cause Employee undue hardship, and are material and substantial parts of this Agreement intended and necessary to prevent unfair competition and to protect the Company Group's Confidential Information, goodwill and legitimate business interests.

(b) During the Prohibited Period, Employee shall not, without the prior written approval of the Board, directly or indirectly, for Employee or on behalf of or in conjunction with any other person or entity of any nature:

(i) engage in or participate within the Market Area in competition with any member of the Company Group in any aspect of the Business, which prohibition shall prevent Employee from directly or indirectly: (A) owning, managing, operating, or being an officer or director of, any business that competes with any member of the Company Group in the Market Area; or (B) joining, becoming an employee or consultant of, or otherwise being affiliated with, any person or entity engaged in, or planning to engage in, the Business in the Market Area in competition, or anticipated competition, with any member of the Company Group in any capacity (with respect to this clause (B)) in which Employee's duties or responsibilities are the same as or similar to the duties or responsibilities that Employee had on behalf of any member of the Company Group;

(ii) appropriate any Business Opportunity of, or relating to, any member of the Company Group located in the Market Area;

(iii) solicit, canvass, approach, encourage, entice or induce any customer or supplier of any member of the Company Group to cease or lessen such customer's or supplier's business with any member of the Company Group; or

(iv) solicit, canvass, approach, encourage, entice or induce any employee or contractor of any member of the Company Group to terminate his, her or its employment or engagement with any member of the Company Group.

(c) Notwithstanding the foregoing, following the Termination Date, the above-referenced limitations in Sections 10(b)(i), (ii) and (iii) shall not apply in those portions of the Market Area located within the State of Oklahoma. Instead, Employee agrees that, following the Termination Date, the restrictions on Employee's activities within those portions of the Market Area located within the State of Oklahoma (in addition to those restrictions set forth in Section 9

and Section 10(b)(iv) above) shall be as follows: during that portion of the Prohibited Period that follows the Termination Date, Employee will not directly solicit the sale of goods, services, or a combination of goods and services from the established customers of the Company or any other member of the Company Group.

(d) Because of the difficulty of measuring economic losses to the Company Group as a result of a breach or threatened breach of the covenants set forth in Section 9 and in this Section 10, and because of the immediate and irreparable damage that would be caused to the members of the Company Group for which they would have no other adequate remedy, the Company and each other member of the Company Group shall be entitled to seek to enforce the foregoing covenants, in the event of a breach or threatened breach, by injunctions and restraining orders from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall not be the Company's or any other member of the Company Group's exclusive remedy for a breach but instead shall be in addition to all other rights and remedies available to the Company and each other member of the Company Group at law and equity.

(e) The covenants in this Section 10, and each provision and portion hereof, are severable and separate, and the unenforceability of any specific covenant (or portion thereof) shall not affect the provisions of any other covenant (or portion thereof). Moreover, in the event any arbitrator or court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which such arbitrator or court deems reasonable, and this Agreement shall thereby be reformed.

(f) The following terms shall have the following meanings:

(i) “ **Business** ” shall mean the business and operations that are the same or similar to those performed by the Company and any other member of the Company Group for which Employee provides services or about which Employee obtains Confidential Information during the Employment Period, which business and operations include such businesses and operations as may be described in Parent's periodic and current reports filed with the Securities and Exchange Commission from time to time, and other services ancillary thereto, specifically as applied to any equipment, hardware, software, knowledge, processes, customers, strategies, known future plans, and vendors which are contained, classified, known or performed in connection with such services.

(ii) “ **Business Opportunity** ” shall mean any commercial, investment or other business opportunity relating to the Business.

(iii) “ **Market Area** ” shall mean: (A) the counties and parishes set forth on Exhibit A hereto; and (B) any other geographic area or market where or with respect to which (x) Employee provides or has provided services on behalf of the Company or any other member of the Company Group during the Employment Period or (y) the Company or any other member of the Company Group has specific plans to conduct any business and Employee provides material services with respect to such plans.

(iv) “ **Prohibited Period** ” shall mean the period during which Employee is employed by any member of the Company Group and continuing for a period of twelve (12) months following the date that Employee is no longer employed by any member of the Company Group.

11. **Ownership of Intellectual Property**. Employee agrees that the Company shall own, and Employee shall (and hereby does) assign, all right, title and interest (including patent rights, copyrights, trade secret rights, mask work rights, trademark rights, and all other intellectual and industrial property rights of any sort throughout the world) relating to any and all inventions (whether or not patentable), works of authorship, mask works, designs, know-how, ideas and information authored, created, contributed to, made or conceived or reduced to practice, in whole or in part, by Employee during the period in which Employee is or has been employed by or affiliated with the Company or any other member of the Company Group that either (a) relate, at the time of conception, reduction to practice, creation, derivation or development, to any member of the Company Group’s businesses or actual or anticipated research or development, or (b) were developed on any amount of the Company’s or any other member of the Company Group’s time or with the use of any member of the Company Group’s equipment, supplies, facilities or trade secret information (all of the foregoing collectively referred to herein as “ **Company Intellectual Property** ”), and Employee shall promptly disclose all Company Intellectual Property to the Company. All of Employee’s works of authorship and associated copyrights created during the period in which Employee is employed by or affiliated with the Company or any other member of the Company Group and in the scope of Employee’s employment or engagement shall be deemed to be “works made for hire” within the meaning of the Copyright Act. Employee shall perform, during and after the period in which Employee is or has been employed by or affiliated with the Company or any other member of the Company Group, all acts deemed reasonably necessary by the Company to assist each member of the Company Group, at the Company’s expense, in obtaining and enforcing its rights throughout the world in the Company Intellectual Property. Such acts may include execution of documents and assistance or cooperation (i) in the filing, prosecution, registration, and memorialization of assignment of any applicable patents, copyrights, mask work, or other applications, (ii) in the enforcement of any applicable patents, copyrights, mask work, moral rights, trade secrets, or other proprietary rights, and (iii) in other legal proceedings related to the Company Intellectual Property.

12. **Arbitration**.

(a) Subject to Section 12(b), any dispute, controversy or claim between Employee and any member of the Company Group arising out of or relating to this Agreement or Employee’s employment or engagement with any member of the Company Group will be finally settled by arbitration in Houston, Texas in accordance with the then-existing American Arbitration Association (“ **AAA** ”) Employment Arbitration Rules. The arbitration award shall be final and binding on both parties. Any arbitration conducted under this Section 12 shall be heard by a single arbitrator (the “ **Arbitrator** ”) selected in accordance with the then-applicable rules of the AAA. All disputes shall be arbitrated on an individual basis, and each party hereto hereby foregoes and waives any right to arbitrate any dispute as a class action or collective action or on a consolidated basis or in a representative capacity on behalf of other persons or entities who are claimed to be similarly situated, or to participate as a class member in such a proceeding. The Arbitrator shall expeditiously hear and decide all matters concerning the dispute. Except as expressly provided to

the contrary in this Agreement, the Arbitrator shall have the power to (i) gather such materials, information, testimony and evidence as the Arbitrator deems relevant to the dispute before him or her (and each party will provide such materials, information, testimony and evidence requested by the Arbitrator), and (ii) grant injunctive relief and enforce specific performance. The decision of the Arbitrator shall be reasoned, rendered in writing, be final and binding upon the disputing parties and the parties agree that judgment upon the award may be entered by any court of competent jurisdiction.

(b) Notwithstanding Section 12(a), either party may make a timely application for, and seek to obtain, judicial emergency or temporary injunctive relief to enforce any of the provisions of Sections 9 through 11; *provided, however*, that the remainder of any such dispute (beyond the application for emergency or temporary injunctive relief) shall be subject to arbitration under this Section 12.

(c) By entering into this Agreement and entering into the arbitration provisions of this Section 12, THE PARTIES EXPRESSLY ACKNOWLEDGE AND AGREE THAT THEY ARE KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVING THEIR RIGHTS TO A JURY TRIAL.

(d) Nothing in this Section 12 shall prohibit a party to this Agreement from (i) instituting litigation to enforce any arbitration award, or (ii) joining the other party to this Agreement in a litigation initiated by a person or entity that is not a party to this Agreement. Further, nothing in this Section 12 precludes Employee from filing a charge or complaint with a federal, state or other governmental administrative agency.

13. **Defense of Claims**. During the Employment Period and thereafter, upon request from the Company, Employee shall cooperate with the Company Group in the defense of any claims or actions that may be made by or against any member of the Company Group that relate to Employee's actual or prior areas of responsibility.

14. **Withholdings; Deductions**. The Company may withhold and deduct from any benefits and payments made or to be made pursuant to this Agreement (a) all federal, state, local and other taxes as may be required pursuant to any law or governmental regulation or ruling and (b) any deductions consented to in writing by Employee.

15. **Title and Headings; Construction**. Titles and headings to Sections hereof are for the purpose of reference only and shall in no way limit, define or otherwise affect the provisions hereof. Any and all Exhibits or Attachments referred to in this Agreement are, by such reference, incorporated herein and made a part hereof for all purposes. Unless the context requires otherwise, all references to laws, regulations, contracts, agreements and instruments refer to such laws, regulations, contracts, agreements and instruments as they may be amended from time to time, and references to particular provisions of laws or regulations include a reference to the corresponding provisions of any succeeding law or regulation. All references to "dollars" or "\$" in this Agreement refer to United States dollars. The word "or" is not exclusive. The words "herein", "hereof", "hereunder" and other compounds of the word "here" shall refer to the entire Agreement, including all Exhibits attached hereto, and not to any particular provision hereof. Wherever the context so requires, the masculine gender includes the feminine or neuter, and the singular number

includes the plural and conversely. All references to “including” shall be construed as meaning “including without limitation.” Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against any party hereto, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by each of the parties hereto and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the parties hereto.

16. **Applicable Law; Submission to Jurisdiction**. This Agreement shall in all respects be construed according to the laws of the State of Texas without regard to its conflict of laws principles that would result in the application of the laws of another jurisdiction. With respect to any claim or dispute related to or arising under this Agreement, the parties hereby consent to the arbitration provisions of Section 12 and recognize and agree that should any resort to a court be necessary and permitted under this Agreement, then they consent to the exclusive jurisdiction, forum and venue of the state and federal courts (as applicable) located in Harris County, Texas.

17. **Entire Agreement and Amendment**. This Agreement contains the entire agreement of the parties with respect to the matters covered herein and supersedes all prior and contemporaneous agreements and understandings, oral or written, between the parties hereto concerning the subject matter hereof. In entering into this Agreement, Employee expressly acknowledges and agrees that Employee has received all sums and compensation that Employee has been owed, is owed, or ever could be owed for services provided to any member of the Company Group through the date Employee signs this Agreement, with the exception of any unpaid Base Salary for the pay period that includes the date on which Employee signs this Agreement. This Agreement may be amended only by a written instrument executed by both parties hereto.

18. **Waiver of Breach**. Any waiver of this Agreement must be executed by the party to be bound by such waiver. No waiver by either party hereto of a breach of any provision of this Agreement by the other party, or of compliance with any condition or provision of this Agreement to be performed by such other party, will operate or be construed as a waiver of any subsequent breach by such other party or any similar or dissimilar provision or condition at the same or any subsequent time. The failure of either party hereto to take any action by reason of any breach will not deprive such party of the right to take action at any time.

19. **Assignment**. This Agreement is personal to Employee, and neither this Agreement nor any rights or obligations hereunder shall be assignable or otherwise transferred by Employee. The Company may assign this Agreement without Employee’s consent, including to any member of the Company Group and to any successor to or acquirer of (whether by merger, purchase or otherwise) all or substantially all of the equity, assets or businesses of the Company.

20. **Notices**. Notices provided for in this Agreement shall be in writing and shall be deemed to have been duly received (a) when delivered in person, (b) when sent by facsimile transmission (with confirmation of transmission) on a Business Day to the number set forth below, if applicable; *provided, however*, that if a notice is sent by facsimile transmission after normal business hours of the recipient or on a non-Business Day, then it shall be deemed to have been received on the next Business Day after it is sent, (c) on the first Business Day after such notice is sent by express overnight courier service, or (d) on the second Business Day following deposit

with an internationally-recognized second-day courier service with proof of receipt maintained, in each case, to the following address, as applicable:

If to the Company, addressed to:

Select Energy Services, LLC
1820 N I-35
Gainesville, Texas 76240
Attn: Chief Executive Officer

If to Employee, addressed to Employee's last known address on file with the Company.

21. **Counterparts**. This Agreement may be executed in any number of counterparts, including by electronic mail or facsimile, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a copy hereof containing multiple signature pages, each signed by one party, but together signed by both parties hereto.

22. **Deemed Resignations**. Except as otherwise determined by the Board or as otherwise agreed to in writing by Employee and any member of the Company Group prior to the termination of Employee's employment with the Company or any member of the Company Group, any termination of Employee's employment shall constitute, as applicable, an automatic resignation of Employee: (a) as an officer of the Company and each member of the Company Group; (b) from the Board; and (c) from the board of directors or board of managers (or similar governing body) of any member of the Company Group and from the board of directors or board of managers (or similar governing body) of any corporation, limited liability entity, unlimited liability entity or other entity in which any member of the Company Group holds an equity interest and with respect to which board of directors or board of managers (or similar governing body) Employee serves as such Company Group member's designee or other representative.

23. **Section 409A**.

(a) Notwithstanding any provision of this Agreement to the contrary, all provisions of this Agreement are intended to comply with Section 409A of the Internal Revenue Code of 1986 (the "**Code**"), and the applicable Treasury regulations and administrative guidance issued thereunder (collectively, "**Section 409A**") or an exemption therefrom and shall be construed and administered in accordance with such intent. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Any payments to be made under this Agreement upon a termination of Employee's employment shall only be made if such termination of employment constitutes a "separation from service" under Section 409A.

(b) To the extent that any right to reimbursement of expenses or payment of any benefit in-kind under this Agreement constitutes nonqualified deferred compensation (within the meaning of Section 409A), (i) any such expense reimbursement shall be made by the Company no later than the last day of Employee's taxable year following the taxable year in which such

expense was incurred by Employee, (ii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (iii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year; *provided*, that the foregoing clause shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period in which the arrangement is in effect.

(c) Notwithstanding any provision in this Agreement to the contrary, if any payment or benefit provided for herein would be subject to additional taxes and interest under Section 409A if Employee's receipt of such payment or benefit is not delayed until the earlier of (i) the date of Employee's death or (ii) the date that is six (6) months after the Termination Date (such date, the "**Section 409A Payment Date**"), then such payment or benefit shall not be provided to Employee (or Employee's estate, if applicable) until the Section 409A Payment Date. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement are exempt from, or compliant with, Section 409A and in no event shall any member of the Company Group be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by Employee on account of non-compliance with Section 409A.

24. Certain Excise Taxes. Notwithstanding anything to the contrary in this Agreement, if Employee is a "disqualified individual" (as defined in Section 280G(c) of the Code), and the payments and benefits provided for in this Agreement, together with any other payments and benefits which Employee has the right to receive from the Company or any of its affiliates, would constitute a "parachute payment" (as defined in Section 280G(b)(2) of the Code), then the payments and benefits provided for in this Agreement shall be either (a) reduced (but not below zero) so that the present value of such total amounts and benefits received by Employee from the Company or any of its affiliates shall be one dollar (\$1.00) less than three times Employee's "base amount" (as defined in Section 280G(b) (3) of the Code) and so that no portion of such amounts and benefits received by Employee shall be subject to the excise tax imposed by Section 4999 of the Code or (b) paid in full, whichever produces the better net after-tax position to Employee (taking into account any applicable excise tax under Section 4999 of the Code and any other applicable taxes). The reduction of payments and benefits hereunder, if applicable, shall be made by reducing, first, payments or benefits to be paid in cash hereunder in the order in which such payment or benefit would be paid or provided (beginning with such payment or benefit that would be made last in time and continuing, to the extent necessary, through to such payment or benefit that would be made first in time) and, then, reducing any benefit to be provided in-kind hereunder in a similar order. The determination as to whether any such reduction in the amount of the payments and benefits provided hereunder is necessary shall be made by the Company in good faith. If a reduced payment or benefit is made or provided and through error or otherwise that payment or benefit, when aggregated with other payments and benefits from the Company or any of its affiliates used in determining if a "parachute payment" exists, exceeds one dollar (\$1.00) less than three times Employee's base amount, then Employee shall immediately repay such excess to the Company upon notification that an overpayment has been made. Nothing in this Section 24 shall require the Company to be responsible for, or have any liability or obligation with respect to, Employee's excise tax liabilities under Section 4999 of the Code.

25. **Clawback**. To the extent required by applicable law or any applicable securities exchange listing standards, or as otherwise determined by the Board (or a committee thereof), amounts paid or payable under this Agreement shall be subject to the provisions of any applicable clawback policies or procedures adopted by the Company, which clawback policies or procedures may provide for forfeiture and/or recoupment of amounts paid or payable under this Agreement. Notwithstanding any provision of this Agreement to the contrary, the Company reserves the right, without the consent of Employee, to adopt any such clawback policies and procedures, including such policies and procedures applicable to this Agreement with retroactive effect.

26. **Effect of Termination**. The provisions of Sections 7, 9 - 14 and 22 and those provisions necessary to interpret and enforce them, shall survive any termination of this Agreement and any termination of the employment relationship between Employee and the Company.

27. **Third-Party Beneficiaries**. Each member of the Company Group that is not a signatory to this Agreement shall be a third-party beneficiary of Employee's obligations under Sections 8, 9, 10, 11, 12 and 22 and shall be entitled to enforce such obligations as if a party hereto.

28. **Severability**. If an arbitrator or court of competent jurisdiction determines that any provision of this Agreement (or portion thereof) is invalid or unenforceable, then the invalidity or unenforceability of that provision (or portion thereof) shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect.

[Remainder of Page Intentionally Blank;
Signature Page Follows]

IN WITNESS WHEREOF, Employee and the Company each have caused this Agreement to be executed and effective as of the Effective Date.

EMPLOYEE

/s/ Nick Swyka
Nick Swyka

SELECT ENERGY SERVICES, LLC

By: /s/ Holli Ladhani
Name: Holli Ladhani
Title: President and Chief Executive Officer

Signature Page to
Employment Agreement

EXHIBIT A
MARKET AREA

STATE	COUNTY/PARISH			
COLORADO	Adams	Arapahoe	Weld	
LOUISIANA	Bossier Caddo	De Soto Jackson	Lincoln Red River	Sabine
NEW MEXICO	Chaves	Eddy	Lea	San Juan
NORTH DAKOTA	Billings Burke	Divide Dunn	Golden Valley McKenzie	Mountrail Williams
OHIO	Ashland Belmont	Guernsey Harrison	Jefferson Monroe	Summit Trumbull
OKLAHOMA	Alfalfa Beckham Blaine Canadian Carter Coal Custer	Dewey Ellis Garfield Garvin Grady Hughes Kingfisher	Lincoln Logan Love Major McClain Oklahoma	Pittsburg Roger Mills Stephens Washita Woods Woodward
PENNSYLVANIA	Armstrong Bradford Elk	Greene Lycoming Sullivan	Tioga Washington	Westmoreland Wyoming
TEXAS	Andrews Angelina Atascosa Borden Culberson DeWitt Dimmit Ector Frio Glasscock Gonzales	Hemphill Henderson Howard Irion Jackson Karnes La Salle Lavaca Live Oak Loving Martin	Maverick McMullen Midland Nacogdoches Panola Pecos Reagan Reeves Roberts Rusk San Augustine	Shelby Tarrant Tom Green Upton Ward Webb Wheeler Winkler Wise Zavala
UTAH	Duchesne			
WEST VIRGINIA	Brooke Doddridge Harrison	Marion Marshall Monongalia	Ohio Ritchie	Tyler Wetzel
WYOMING	Campbell Converse	Johnson	Laramie	Sweetwater

EMPLOYMENT AGREEMENT

This Employment Agreement (“**Agreement**”) is made and entered into by and between Select Energy Services, LLC, a Delaware limited liability company (the “**Company**”), and Adam Law (“**Employee**”) effective as of March 1, 2019 (the “**Effective Date**”).

WHEREAS, Employee is currently employed by the Company; and

WHEREAS, the Company desires to continue to employ Employee, and Employee desires to continue to be employed by the Company, pursuant to the terms of this Agreement.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements herein contained, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. **Employment**. During the Employment Period (as defined in Section 4), the Company shall employ Employee, and Employee shall serve, as Senior Vice President, General Counsel and Corporate Secretary of the Company and in such other position or positions as may be agreed to by Employee and the Company from time to time.

2. **Duties and Responsibilities of Employee**.

(a) During the Employment Period, Employee shall devote Employee’s best efforts and full business time and attention to the businesses of Select Energy Services, Inc., a Delaware corporation and the parent of the Company (“**Parent**”) and its direct and indirect subsidiaries as may exist from time to time, including the Company (collectively, Parent and its direct and indirect subsidiaries are referred to as the “**Company Group**”) as may be requested by Parent or the Company from time to time. Employee’s duties and responsibilities shall include those normally incidental to the position(s) identified in Section 1, as well as such additional duties as may be reasonably assigned to Employee by the Company from time to time, which duties and responsibilities may include providing services to other members of the Company Group in addition to the Company. Employee may, without violating this Section 2(a), (i) as a passive investment, either make or manage personal investments that are unrelated to the Business or any Business Opportunity of the Company (as defined in Sections 10(f)(i) and 10(f)(ii)) or own publicly traded securities in such form or manner as will not require any services by Employee in the operation of the entities in which such securities are owned; (ii) engage in charitable and civic activities; or (iii) with the prior written consent of the board of directors of Parent (the “**Board**”), engage in other personal and passive investment activities, in each case, so long as such ownership, interests or activities do not interfere with Employee’s ability to fulfill Employee’s duties and responsibilities under this Agreement and are not inconsistent with Employee’s obligations to any member of the Company Group or competitive with the business of any member of the Company Group.

(b) Employee hereby represents and warrants that Employee is not the subject of, or a party to, any employment agreement, non-competition, non-solicitation, restrictive covenant or non-disclosure agreement, or any other agreement, obligation, restriction or understanding that would prohibit Employee from executing this Agreement or fully performing

each of Employee's duties and responsibilities hereunder, or would in any manner, directly or indirectly, limit or affect any of the duties and responsibilities that may now or in the future be assigned to Employee hereunder. Employee expressly acknowledges and agrees that Employee is strictly prohibited from using or disclosing any confidential information belonging to any prior employer in the course of performing services for any member of the Company Group, and Employee promises that Employee shall not do so. Employee shall not introduce documents or other materials containing confidential information of any prior employer to the premises or property (including computers and computer systems) of any member of the Company Group.

(c) Employee owes each member of the Company Group fiduciary duties (including (i) duties of loyalty and disclosure and (ii) such fiduciary duties that an officer of the Company owes under the laws of the State of Delaware), and the obligations described in this Agreement are in addition to, and not in lieu of, the obligations Employee owes each member of the Company Group under statutory and common law.

3. Compensation.

(a) Base Salary. During the Employment Period, the Company shall pay to Employee an annualized base salary of \$305,000 (the "Base Salary") in consideration for Employee's services under this Agreement, payable in substantially equal installments in conformity with the Company's customary payroll practices for similarly situated employees as may exist from time to time, but no less frequently than monthly.

(b) STI Plan. Employee shall be eligible to continue participating in the Company's short-term incentive bonus program (the "STI Plan"), subject to the terms of the STI Plan in effect from time to time. Each bonus, if any, paid pursuant to the STI Plan shall be paid as soon as administratively feasible after the Board (or a committee thereof) certifies whether the applicable performance targets for the applicable calendar year have been achieved. Notwithstanding anything in this Section 3(b) to the contrary, no bonus will be paid under the STI Plan for a particular calendar year unless Employee remains continuously employed by the Company from the Effective Date through the date the Board (or a committee thereof) certifies whether the applicable performance targets for the applicable calendar year have been achieved.

4. Term of Employment. The initial term of Employee's employment under this Agreement shall be for the period beginning on the Effective Date and ending on the third anniversary of the Effective Date (the "Initial Term"). On the third anniversary of the Effective Date and on each subsequent anniversary thereafter, the term of Employee's employment under this Agreement shall automatically renew and extend for a period of twelve (12) months (each such twelve (12)-month period being a "Renewal Term") unless written notice of non-renewal is delivered by either party to the other not less than sixty (60) days prior to the expiration of the then-existing Initial Term or Renewal Term, as applicable. Notwithstanding any other provision of this Agreement, Employee's employment pursuant to this Agreement may be terminated at any time in accordance with Section 7. The period from the Effective Date through the expiration of this Agreement or, if sooner, the termination of Employee's employment pursuant to this Agreement, regardless of the time or reason for such termination, shall be referred to herein as the "Employment Period."

5. **Business Expenses**. Subject to Section 23, the Company shall reimburse Employee for Employee's reasonable out-of-pocket business-related expenses actually incurred in the performance of Employee's duties under this Agreement so long as Employee timely submits all documentation for such expenses, as required by Company policy in effect from time to time. Any such reimbursement of expenses shall be made by the Company upon or as soon as practicable following receipt of such documentation (but in any event not later than the close of Employee's taxable year following the taxable year in which the expense is incurred by Employee). In no event shall any reimbursement be made to Employee for any expenses incurred after the date of Employee's termination of employment with the Company.

6. **Benefits**. During the Employment Period, Employee shall be eligible to participate in the same benefit plans and programs in which other similarly situated Company employees are eligible to participate, subject to the terms and conditions of the applicable plans and programs in effect from time to time. The Company shall not, however, by reason of this Section 6, be obligated to institute, maintain, or refrain from changing, amending, or discontinuing, any such plan or policy, so long as such changes are similarly applicable to similarly situated Company employees generally.

7. **Termination of Employment**.

(a) Company's Right to Terminate Employee's Employment for Cause. The Company shall have the right to terminate Employee's employment hereunder at any time for Cause. For purposes of this Agreement, "**Cause**" shall mean:

(i) Employee's material breach of this Agreement or any other written agreement between Employee and one or more members of the Company Group, including Employee's material breach of any representation, warranty or covenant made under any such agreement;

(ii) Employee's breach of any law applicable to the workplace or employment relationship, or Employee's breach of any policy or code of conduct established by Parent or the Company and applicable to Employee;

(iii) Employee's gross negligence, willful misconduct, breach of fiduciary duty, fraud, theft or embezzlement;

(iv) the commission by Employee of, or conviction or indictment of Employee for, or plea of *nolo contendere* by Employee to, any felony (or state law equivalent) or any crime involving moral turpitude; or

(v) Employee's willful failure or refusal, other than due to Disability, to perform Employee's obligations pursuant to this Agreement or to follow any lawful directive from the Company, as reasonably determined by the Company; *provided, however*, that if Employee's actions or omissions as set forth in this Section 7(a)(v) are of such a nature that they are curable by Employee, such actions or omissions must remain uncured thirty (30) days after the Company first provided Employee written notice of the obligation to cure such actions or omissions.

(b) Company's Right to Terminate for Convenience. The Company shall have the right to terminate Employee's employment for convenience at any time and for any reason, or no reason at all, upon written notice to Employee.

(c) Employee's Right to Terminate for Good Reason. Employee shall have the right to terminate Employee's employment with the Company at any time for Good Reason. For purposes of this Agreement, "**Good Reason**" shall mean:

(i) a material diminution in Employee's Base Salary, other than as part of one or more decreases that shall not exceed, in the aggregate, more than 10% of Employee's Base Salary as in effect at the time of such reduction and that are applied to all of the Company's similarly situated employees;

(ii) a material diminution in Employee's title that results in Employee no longer serving as General Counsel of Parent, or a material diminution in Employee's authority, duties and responsibilities with the Company Group as a whole; *provided, however*, that if Employee is serving as an officer or member of the board of directors (or similar governing body) of any member of the Company Group (other than the Company or Parent) or any other entity in which a member of the Company Group holds an equity interest, in no event shall the removal of Employee as an officer or board member from such entity, regardless of the reason for such removal, constitute Good Reason or be considered when determining if Good Reason exists;

(iii) the relocation of the geographic location of Employee's principal place of employment by more than fifty (50) miles from the location of Employee's principal place of employment as of the Effective Date; or

(iv) a material reduction in Employee's target bonus under the STI Plan, other than as part of one or more decreases that are similarly applied to the Chief Executive Officer of the Company and the Chief Financial Officer of the Company.

Notwithstanding the foregoing provisions of this Section 7(c) or any other provision of this Agreement to the contrary, any assertion by Employee of a termination for Good Reason shall not be effective unless all of the following conditions are satisfied: (A) the condition described in Section 7(c)(i), (ii) or (iii) giving rise to Employee's termination of employment must have arisen without Employee's consent; (B) Employee must provide written notice to the Board of the existence of such condition(s) within thirty (30) days after the initial occurrence of such condition(s); (C) the condition(s) specified in such notice must remain uncorrected for thirty (30) days following the Board's receipt of such written notice; and (D) the date of Employee's termination of employment must occur within sixty (60) days after the initial occurrence of the condition(s) specified in such notice.

(d) Death or Disability. Upon the death or Disability of Employee, Employee's employment with Company shall automatically (and without any further action by any person or entity) terminate with no further obligation under this Agreement of either party hereunder. For purposes of this Agreement, a "**Disability**" shall mean Employee's inability to perform the essential functions of Employee's position (after accounting for reasonable accommodation, if

applicable and required by applicable law), due to physical or mental impairment that continues, or can reasonably be expected to continue, for a period in excess of one hundred-twenty (120) consecutive days or one hundred-eighty (180) days, whether or not consecutive (or for any longer period as may be required by applicable law), in any twelve (12)-month period.

(e) Employee's Right to Terminate for Convenience. In addition to Employee's right to terminate Employee's employment for Good Reason, Employee shall have the right to terminate Employee's employment with the Company for convenience at any time and for any other reason, or no reason at all, upon thirty (30) days' advance written notice to the Company; *provided, however*, that if Employee has provided notice to the Company of Employee's termination of employment, the Company may determine, in its sole discretion, that such termination shall be effective on any date prior to the effective date of termination provided in such notice (and, if such earlier date is so required, then it shall not change the basis for Employee's termination of employment nor be construed or interpreted as a termination of employment pursuant to Section 7(b)).

(f) Effect of Termination.

(i) If Employee's employment hereunder is terminated prior to the expiration of the then-existing Initial Term or Renewal Term, as applicable, by the Company without Cause pursuant to Section 7(b), by Employee for Good Reason pursuant to Section 7(c) or as a result of Employee's death, then so long as (and only if): (1) Employee (or his executor or estate) executes on or before the Release Expiration Date (as defined below), and does not revoke within any time provided by the Company to do so, a release of all claims in a form reasonably acceptable to the Company (the "**Release**"), which Release shall release each member of the Company Group and their respective affiliates, and the foregoing entities' respective shareholders, members, partners, officers, managers, directors, fiduciaries, employees, representatives, agents and benefit plans (and fiduciaries of such plans) from any and all claims, including any and all causes of action arising out of Employee's employment with the Company and any other member of the Company Group or the termination of such employment, but excluding all claims to severance payments Employee may have under this Section 7; and (2) Employee abides by the terms of each of Sections 9, 10 and 11, then:

(A) the Company shall make severance payments to Employee in a total amount equal to (a) twelve (12) months' worth of Employee's Base Salary for the year in which the termination occurs, *plus* (b) an amount equal to the target bonus under the STI Plan for the year in which such termination occurs (such total severance payments being referred to as the "**Severance Payment**"); *provided, however*, that if the Termination Date (as defined below) is on or within fifteen (15) months following the date of a Change in Control (as defined below) and subject to the terms and conditions set forth in Sections 7(f)(i)(1) and (2) above, then the Company shall, in lieu of the Severance Payment, make severance payments in a total amount equal to (x) eighteen (18) months' worth of Employee's Base Salary for the year in which the Termination Date occurs, *plus* (y) an amount equal to one and one-half times the target bonus under the STI Plan for the year in which the Termination Date occurs (such total severance payments being referred to as the

“ **CIC Severance Payment** ”). The Severance Payment or the CIC Severance Payment (as applicable, the “ **Cash Severance Payment** ”) will be divided into substantially equal installments and paid over a number of months equal to the number of months’ worth of Employee’s Base Salary included in the Cash Severance Payment. On the Company’s first regularly scheduled pay date that is on or after the date that is sixty (60) days after the date on which Employee’s employment terminates (the “ **Termination Date** ”), the Company shall pay to Employee, without interest, a number of such installments equal to the number of such installments that would have been paid during the period beginning on the Termination Date and ending on the Company’s first regularly scheduled pay date that is on or after the date that is sixty (60) days after the Termination Date had the installments been paid commencing on the Company’s first regularly scheduled pay date coincident with or next following the Termination Date, and each of the remaining installments shall be paid on the Company’s regularly scheduled pay dates during the remainder of such twelve (12)-month period (or, if the Termination Date is on or within fifteen (15) months following the date of a Change in Control, such eighteen (18)-month period); *provided, however*, that to the extent, if any, that the aggregate amount of the installments of the Cash Severance Payment that would otherwise be paid pursuant to the preceding provisions of this Section 7(f)(i) after March 15 of the calendar year following the calendar year in which the Termination Date occurs (the “ **Applicable March 15** ”) exceeds the maximum exemption amount under Treasury Regulation Section 1.409A-1(b)(9)(iii)(A), then such excess shall be paid to Employee in a lump sum on the Applicable March 15 (or the first Business Day preceding the Applicable March 15 if the Applicable March 15 is not a Business Day) and the installments of the Cash Severance Payment payable after the Applicable March 15 shall be reduced by such excess (beginning with the installment first payable after the Applicable March 15 and continuing with the next succeeding installment until the aggregate reduction equals such excess). “ **Business Day** ” shall mean any day except a Saturday, Sunday or other day on which commercial banks in New York, New York or Houston, Texas are authorized or required by law to be closed. For the avoidance of doubt, in no event shall Employee be eligible to receive both the Severance Payment and the CIC Severance Payment.

(B) The Company shall pay Employee a pro-rated portion of the bonus under the STI Plan that Employee would have been paid for the calendar year in which the Termination Date occurs, if any (the “ **Pro-Rata Bonus Payment** ”), which Pro-Rata Bonus Payment shall be paid (if the applicable criteria for earning a bonus under the STI Plan for such calendar year, other than the requirement with respect to continued employment through the applicable payment date, are satisfied) to Employee at the same time bonuses under the STI Plan for such calendar year are paid to similarly situated employees of the Company, but in no event no later than March 15 of the calendar year following the calendar year in which the Termination Date occurs.

(C) During the portion, if any, of the fifteen (15)-month period following the Termination Date (the “ **Reimbursement Period** ”) that Employee

elects to continue coverage for Employee and Employee's spouse and eligible dependents, if any, under the Company's group health plans pursuant to Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"), the Company shall promptly reimburse Employee on a monthly basis for the difference between the amount Employee pays to effect and continue such coverage and the employee contribution amount that similarly situated employees of the Company pay for the same or similar coverage under such group health plans (the "**COBRA Benefit**"). Each payment of the COBRA Benefit shall be paid to Employee on the Company's first regularly scheduled pay date in the calendar month immediately following the calendar month in which Employee submits to the Company documentation of the applicable premium payment having been paid by Employee, which documentation shall be submitted by Employee to the Company within thirty (30) days following the date on which the applicable premium payment is due. Employee shall be eligible to receive such reimbursement payments until the earliest of: (x) the last day of the Reimbursement Period; (y) the date Employee is no longer eligible to receive COBRA continuation coverage; and (z) the date on which Employee becomes eligible to receive coverage under a group health plan sponsored by another employer (and any such eligibility shall be promptly reported to the Company by Employee); *provided, however*, that the election of COBRA continuation coverage and the payment of any premiums due with respect to such COBRA continuation coverage shall remain Employee's sole responsibility, and the Company shall not assume any obligation for payment of any such premiums relating to such COBRA continuation coverage. Notwithstanding the foregoing, if the provision of the benefits described in this paragraph cannot be provided in the manner described above without penalty, tax or other adverse impact on the Company or any other member of the Company Group, then the Company and Employee shall negotiate in good faith to determine an alternative manner in which the Company may provide substantially equivalent benefits to Employee without such adverse impact on the Company or such other member of the Company Group.

(ii) If the Release is not executed and returned to the Company on or before the Release Expiration Date, and the required revocation period has not fully expired without revocation of the Release by Employee, then Employee shall not be entitled to any portion of the Cash Severance Payment, Pro-Rata Bonus Payment or COBRA Benefit. As used herein, the "**Release Expiration Date**" is that date that is twenty-one (21) days following the date upon which the Company delivers the Release to Employee (which shall occur no later than seven (7) days after the Termination Date) or, in the event that such termination of employment is "in connection with an exit incentive or other employment termination program" (as such phrase is defined in the Age Discrimination in Employment Act of 1967), the date that is forty-five (45) days following such delivery date.

(iii) For the avoidance of doubt, the Cash Severance Payment, Pro-Rata Bonus Payment and COBRA Benefit (and any portions thereof) shall not be payable (A) if Employee's employment hereunder terminates upon the expiration of the then-existing Initial Term or Renewal Term, as applicable, as a result of a non-renewal of the term of Employee's employment under this Agreement by the Company or Employee pursuant to

Section 4; or (B) in the event that the Employment Period ends due to a termination by the Company for Cause pursuant to Section 7(a), due to Disability pursuant to Section 7(d) or by Employee for convenience pursuant to Section 7(e). Further, notwithstanding the preceding provisions of this Section 7(f), Employee will not be eligible for the CIC Severance Payment, Pro-Rata Bonus Payment or COBRA Benefit (or any portions thereof) if: (x) Employee's employment by the Company ends upon or following a Change in Control, and (y) Employee has declined a Comparable Offer from the purchaser (or its affiliate) of the equity in, or all or substantially all of the assets of, Parent or the Company in such Change in Control transaction (such purchaser or its applicable affiliate, the "**Buyer**"). As used herein, a "**Comparable Offer**" shall be an offer of employment that includes each of: (1) a geographic location of the principal place of employment that is within fifty (50) miles of the location of Employee's principal place of employment as of the time immediately prior to the Change in Control, (2) a base salary not less than the base salary in effect immediately prior to the Change in Control, and (3) Employee serving with a title of General Counsel of Parent or Buyer following such Change in Control.

(g) Change in Control. For purposes of this Agreement, "**Change in Control**" shall have the meaning of such term in Parent's 2016 Equity Incentive Plan, as in effect on the Effective Date (the "**EIP**"), without regard to Section 2(g)(i)(C) of the EIP.

(h) After-Acquired Evidence. Notwithstanding any provision of this Agreement to the contrary, in the event that the Company determines that Employee is eligible to receive the Cash Severance Payment, Pro-Rata Bonus Payment and COBRA Benefit pursuant to Section 7(f) but, after such determination, the Company subsequently acquires evidence that: (i) Employee has failed to abide by the terms of Sections 9, 10 or 11; or (ii) a Cause condition existed prior to the Termination Date that, had the Company been fully aware of such condition, would have given the Company the right to terminate Employee's employment pursuant to Section 7(a), then the Company shall have the right to cease the payment of any future installments of the Cash Severance Payment, Pro-Rata Bonus Payment or COBRA Benefit and Employee shall promptly return to the Company all installments of the Cash Severance Payment, Pro-Rata Bonus Payment and COBRA Benefit received by Employee prior to the date that the Company determines that the conditions of this Section 7(g) have been satisfied.

8. **Disclosures**. Promptly (and in any event, within three (3) Business Days) upon becoming aware of (a) any actual or potential Conflict of Interest or (b) any lawsuit, claim or arbitration filed against or involving Employee or any trust or vehicle owned or controlled by Employee that (with respect to such lawsuit, claim or arbitration) could reasonably be expected to affect Employee's ability to perform his duties hereunder or, if determined adversely, could reasonably be expected to have an adverse effect on any member of the Company Group, in each case, Employee shall disclose such actual or potential Conflict of Interest or such lawsuit, claim or arbitration to the Board. A "**Conflict of Interest**" shall exist when Employee engages in, or plans to engage in, any activities, associations, or interests that conflict with, or create an appearance of a conflict with, Employee's duties, responsibilities, authorities, or obligations for and to any member of the Company Group.

9. **Confidentiality**. In the course of Employee's employment with the Company and the performance of Employee's duties on behalf of the Company Group hereunder, Employee has

been provided and will continue to be provided with, and have access to, Confidential Information (as defined below). In consideration of Employee's receipt and access to such Confidential Information, and as a condition of Employee's continued employment, Employee shall comply with this Section 9.

(a) Both during the Employment Period and thereafter, except as expressly permitted by this Agreement or by directive of the Board, Employee shall not disclose any Confidential Information to any person or entity (other than a legal or financial advisor of Employee who maintains such Confidential Information in strict confidence) and shall not use any Confidential Information except for the benefit of the Company Group. Employee shall follow all written Company policies and protocols regarding the security of all documents and other materials containing Confidential Information (regardless of the medium on which Confidential Information is stored). The covenants of this Section 9(a) shall apply to all Confidential Information, whether now known as a result of Employee's employment with the Company or later to become known to Employee during the period that Employee is employed by or affiliated with the Company or any other member of the Company Group.

(b) Notwithstanding any provision of Section 9(a) to the contrary, Employee may make the following disclosures and uses of Confidential Information:

(i) disclosures to other employees of a member of the Company Group who have a need to know the information in connection with the businesses of the Company Group;

(ii) disclosures to customers and suppliers when, in the reasonable and good faith belief of Employee, such disclosure is in connection with Employee's performance of Employee's duties under this Agreement and is in the best interests of the Company Group;

(iii) disclosures and uses that are approved in writing by the Board; or

(iv) disclosures to a person or entity that has (x) been retained by a member of the Company Group to provide services to one or more members of the Company Group and (y) agreed in writing, or otherwise has a professional responsibility, to abide by the terms of a confidentiality agreement or keep such Confidential Information confidential, as applicable.

(c) Upon the expiration of the Employment Period, and at any other time upon written request of the Company, Employee shall promptly surrender and deliver to the Company all documents (including electronically stored information) and all copies thereof and all other materials of any nature containing or pertaining to all Confidential Information and any other Company Group property (including any Company Group-issued computer, mobile device or other equipment) in Employee's possession, custody or control and Employee shall not retain any such documents or other materials or property of the Company Group. Within five (5) days of any such request, Employee shall certify to the Company in writing that all such documents, materials and property have been returned to the Company.

(d) All trade secrets, non-public information, designs, ideas, concepts, improvements, product developments, discoveries and inventions, whether patentable or not, that are conceived, made, developed or acquired by or disclosed to Employee, individually or in conjunction with others, during the period that Employee is employed and has previously been employed by the Company or any other member of the Company Group (whether during business hours or otherwise and whether on the Company's premises or otherwise) that relate to any member of the Company Group's businesses or properties, products or services (including all such information relating to corporate opportunities, operations, future plans, methods of doing business, business plans, strategies for developing business and market share, research, financial and sales data, pricing terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or acquisition targets or their requirements, the identity of key contacts within customers' organizations or within the organization of acquisition prospects, or marketing and merchandising techniques, prospective names and marks) is defined as "**Confidential Information**." Moreover, all documents, videotapes, written presentations, brochures, drawings, memoranda, notes, records, files, correspondence, manuals, models, specifications, computer programs, e-mail, voice mail, electronic databases, maps, drawings, architectural renditions, models and all other writings or materials of any type including or embodying any of such information, ideas, concepts, improvements, discoveries, inventions and other similar forms of expression are and shall be the sole and exclusive property of the Company or the applicable member of the Company Group and be subject to the same restrictions on disclosure applicable to all Confidential Information pursuant to this Agreement. For purposes of this Agreement, Confidential Information shall not include any information that (i) is or becomes generally available to the public other than as a result of a disclosure or wrongful act of Employee or any of Employee's agents; (ii) was available to Employee on a non-confidential basis before its disclosure by a member of the Company Group; or (iii) becomes available to Employee on a non-confidential basis from a source other than a member of the Company Group; *provided, however,* that such source is not known by Employee to be bound by a confidentiality agreement with, or other obligation with respect to confidentiality to, a member of the Company Group.

(e) Notwithstanding the foregoing, nothing in this Agreement shall prohibit or restrict Employee from lawfully: (i) initiating communications directly with, cooperating with, providing information to, causing information to be provided to, or otherwise assisting in an investigation by, any governmental authority (including the Securities and Exchange Commission) regarding a possible violation of any law; (ii) responding to any inquiry or legal process directed to Employee from any such governmental authority; (iii) testifying, participating or otherwise assisting in any action or proceeding by any such governmental authority relating to a possible violation of law; or (iv) making any other disclosures that are protected under the whistleblower provisions of any applicable law. Additionally, pursuant to the federal Defend Trade Secrets Act of 2016, an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (1) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney and (2) solely for the purpose of reporting or investigating a suspected violation of law; ; (B) is made to the individual's attorney in relation to a lawsuit for retaliation against the individual for reporting a suspected violation of law; or (C) is made in a complaint or other document filed in a lawsuit or proceeding, if such filing is made under seal. Nothing in this Agreement requires Employee to obtain prior authorization before engaging in any conduct described in this paragraph, or to notify the Company that Employee has engaged in any such conduct.

10. **Non-Competition; Non-Solicitation**.

(a) The Company has provided and shall, during the Employment Period, continue to provide Employee access to Confidential Information for use only during the Employment Period, and Employee acknowledges and agrees that the Company Group will be entrusting Employee, in Employee's unique and special capacity, with developing the goodwill of the Company Group, and in consideration of the Company providing Employee with access to Confidential Information, and as an express incentive for the Company to enter into this Agreement and to continue to employ Employee hereunder, Employee has voluntarily agreed to the covenants set forth in this Section 10. Employee agrees and acknowledges that the limitations and restrictions set forth herein, including geographical and temporal restrictions on certain competitive activities, are reasonable in all respects, will not cause Employee undue hardship, and are material and substantial parts of this Agreement intended and necessary to prevent unfair competition and to protect the Company Group's Confidential Information, goodwill and legitimate business interests.

(b) During the Prohibited Period, Employee shall not, without the prior written approval of the Board, directly or indirectly, for Employee or on behalf of or in conjunction with any other person or entity of any nature:

(i) engage in or participate within the Market Area in competition with any member of the Company Group in any aspect of the Business, which prohibition shall prevent Employee from directly or indirectly: (A) owning, managing, operating, or being an officer or director of, any business that competes with any member of the Company Group in the Market Area; or (B) joining, becoming an employee or consultant of, or otherwise being affiliated with, any person or entity engaged in, or planning to engage in, the Business in the Market Area in competition, or anticipated competition, with any member of the Company Group in any capacity (with respect to this clause (B)) in which Employee's duties or responsibilities are the same as or similar to the duties or responsibilities that Employee had on behalf of any member of the Company Group;

(ii) appropriate any Business Opportunity of, or relating to, any member of the Company Group located in the Market Area;

(iii) solicit, canvass, approach, encourage, entice or induce any customer or supplier of any member of the Company Group to cease or lessen such customer's or supplier's business with any member of the Company Group; or

(iv) solicit, canvass, approach, encourage, entice or induce any employee or contractor of any member of the Company Group to terminate his, her or its employment or engagement with any member of the Company Group.

(c) Notwithstanding the foregoing, following the Termination Date, the above-referenced limitations in Sections 10(b)(i), (ii) and (iii) shall not apply in those portions of the Market Area located within the State of Oklahoma. Instead, Employee agrees that, following the Termination Date, the restrictions on Employee's activities within those portions of the Market Area located within the State of Oklahoma (in addition to those restrictions set forth in Section 9

and Section 10(b)(iv) above) shall be as follows: during that portion of the Prohibited Period that follows the Termination Date, Employee will not directly solicit the sale of goods, services, or a combination of goods and services from the established customers of the Company or any other member of the Company Group.

(d) Because of the difficulty of measuring economic losses to the Company Group as a result of a breach or threatened breach of the covenants set forth in Section 9 and in this Section 10, and because of the immediate and irreparable damage that would be caused to the members of the Company Group for which they would have no other adequate remedy, the Company and each other member of the Company Group shall be entitled to seek to enforce the foregoing covenants, in the event of a breach or threatened breach, by injunctions and restraining orders from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall not be the Company's or any other member of the Company Group's exclusive remedy for a breach but instead shall be in addition to all other rights and remedies available to the Company and each other member of the Company Group at law and equity.

(e) The covenants in this Section 10, and each provision and portion hereof, are severable and separate, and the unenforceability of any specific covenant (or portion thereof) shall not affect the provisions of any other covenant (or portion thereof). Moreover, in the event any arbitrator or court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which such arbitrator or court deems reasonable, and this Agreement shall thereby be reformed.

(f) Nothing in this Section 10 shall be interpreted or applied in a manner to prevent or restrict Employee from practicing law, as it is the intent of this Section 10 to create certain limitations on Employee's business activities only, and not to create limitations that would restrict Employee from practicing law. Employee acknowledges and agrees that, both before and after the Termination Date, he shall be bound by all ethical and professional obligations (including those with respect to conflicts and confidentiality) that arise from Employee's provision of legal services to, and acting as legal counsel for, the Company and, as applicable, the other members of the Company Group.

(g) The following terms shall have the following meanings:

(i) “ **Business** ” shall mean the business and operations that are the same or similar to those performed by the Company and any other member of the Company Group for which Employee provides services or about which Employee obtains Confidential Information during the Employment Period, which business and operations include such businesses and operations as may be described in Parent's periodic and current reports filed with the Securities and Exchange Commission from time to time, and other services ancillary thereto, specifically as applied to any equipment, hardware, software, knowledge, processes, customers, strategies, known future plans, and vendors which are contained, classified, known or performed in connection with such services.

(ii) “ **Business Opportunity** ” shall mean any commercial, investment or other business opportunity relating to the Business.

(iii) “ **Market Area** ” shall mean: (A) the counties and parishes set forth on Exhibit A hereto; and (B) any other geographic area or market where or with respect to which (x) Employee provides or has provided services on behalf of the Company or any other member of the Company Group during the Employment Period or (y) the Company or any other member of the Company Group has specific plans to conduct any business and Employee provides material services with respect to such plans.

(iv) “ **Prohibited Period** ” shall mean the period during which Employee is employed by any member of the Company Group and continuing for a period of twelve (12) months following the date that Employee is no longer employed by any member of the Company Group.

11. **Ownership of Intellectual Property** . Employee agrees that the Company shall own, and Employee shall (and hereby does) assign, all right, title and interest (including patent rights, copyrights, trade secret rights, mask work rights, trademark rights, and all other intellectual and industrial property rights of any sort throughout the world) relating to any and all inventions (whether or not patentable), works of authorship, mask works, designs, know-how, ideas and information authored, created, contributed to, made or conceived or reduced to practice, in whole or in part, by Employee during the period in which Employee is or has been employed by or affiliated with the Company or any other member of the Company Group that either (a) relate, at the time of conception, reduction to practice, creation, derivation or development, to any member of the Company Group’s businesses or actual or anticipated research or development, or (b) were developed on any amount of the Company’s or any other member of the Company Group’s time or with the use of any member of the Company Group’s equipment, supplies, facilities or trade secret information (all of the foregoing collectively referred to herein as “ **Company Intellectual Property** ”), and Employee shall promptly disclose all Company Intellectual Property to the Company. All of Employee’s works of authorship and associated copyrights created during the period in which Employee is employed by or affiliated with the Company or any other member of the Company Group and in the scope of Employee’s employment or engagement shall be deemed to be “works made for hire” within the meaning of the Copyright Act. Employee shall perform, during and after the period in which Employee is or has been employed by or affiliated with the Company or any other member of the Company Group, all acts deemed reasonably necessary by the Company to assist each member of the Company Group, at the Company’s expense, in obtaining and enforcing its rights throughout the world in the Company Intellectual Property. Such acts may include execution of documents and assistance or cooperation (i) in the filing, prosecution, registration, and memorialization of assignment of any applicable patents, copyrights, mask work, or other applications, (ii) in the enforcement of any applicable patents, copyrights, mask work, moral rights, trade secrets, or other proprietary rights, and (iii) in other legal proceedings related to the Company Intellectual Property.

12. **Arbitration** .

(a) Subject to Section 12(b), any dispute, controversy or claim between Employee and any member of the Company Group arising out of or relating to this Agreement or

Employee's employment or engagement with any member of the Company Group will be finally settled by arbitration in Houston, Texas in accordance with the then-existing American Arbitration Association (" AAA ") Employment Arbitration Rules. The arbitration award shall be final and binding on both parties. Any arbitration conducted under this Section 12 shall be heard by a single arbitrator (the "Arbitrator") selected in accordance with the then-applicable rules of the AAA. All disputes shall be arbitrated on an individual basis, and each party hereto hereby foregoes and waives any right to arbitrate any dispute as a class action or collective action or on a consolidated basis or in a representative capacity on behalf of other persons or entities who are claimed to be similarly situated, or to participate as a class member in such a proceeding. The Arbitrator shall expeditiously hear and decide all matters concerning the dispute. Except as expressly provided to the contrary in this Agreement, the Arbitrator shall have the power to (i) gather such materials, information, testimony and evidence as the Arbitrator deems relevant to the dispute before him or her (and each party will provide such materials, information, testimony and evidence requested by the Arbitrator), and (ii) grant injunctive relief and enforce specific performance. The decision of the Arbitrator shall be reasoned, rendered in writing, be final and binding upon the disputing parties and the parties agree that judgment upon the award may be entered by any court of competent jurisdiction.

(b) Notwithstanding Section 12(a), either party may make a timely application for, and seek to obtain, judicial emergency or temporary injunctive relief to enforce any of the provisions of Sections 9 through 11; *provided, however*, that the remainder of any such dispute (beyond the application for emergency or temporary injunctive relief) shall be subject to arbitration under this Section 12.

(c) By entering into this Agreement and entering into the arbitration provisions of this Section 12, THE PARTIES EXPRESSLY ACKNOWLEDGE AND AGREE THAT THEY ARE KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVING THEIR RIGHTS TO A JURY TRIAL.

(d) Nothing in this Section 12 shall prohibit a party to this Agreement from (i) instituting litigation to enforce any arbitration award, or (ii) joining the other party to this Agreement in a litigation initiated by a person or entity that is not a party to this Agreement. Further, nothing in this Section 12 precludes Employee from filing a charge or complaint with a federal, state or other governmental administrative agency.

13. **Defense of Claims**. During the Employment Period and thereafter, upon request from the Company, Employee shall cooperate with the Company Group in the defense of any claims or actions that may be made by or against any member of the Company Group that relate to Employee's actual or prior areas of responsibility.

14. **Withholdings; Deductions**. The Company may withhold and deduct from any benefits and payments made or to be made pursuant to this Agreement (a) all federal, state, local and other taxes as may be required pursuant to any law or governmental regulation or ruling and (b) any deductions consented to in writing by Employee.

15. **Title and Headings; Construction**. Titles and headings to Sections hereof are for the purpose of reference only and shall in no way limit, define or otherwise affect the provisions

hereof. Any and all Exhibits or Attachments referred to in this Agreement are, by such reference, incorporated herein and made a part hereof for all purposes. Unless the context requires otherwise, all references to laws, regulations, contracts, agreements and instruments refer to such laws, regulations, contracts, agreements and instruments as they may be amended from time to time, and references to particular provisions of laws or regulations include a reference to the corresponding provisions of any succeeding law or regulation. All references to “dollars” or “\$” in this Agreement refer to United States dollars. The word “or” is not exclusive. The words “herein”, “hereof”, “hereunder” and other compounds of the word “here” shall refer to the entire Agreement, including all Exhibits attached hereto, and not to any particular provision hereof. Wherever the context so requires, the masculine gender includes the feminine or neuter, and the singular number includes the plural and conversely. All references to “including” shall be construed as meaning “including without limitation.” Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against any party hereto, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by each of the parties hereto and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the parties hereto.

16. **Applicable Law; Submission to Jurisdiction**. This Agreement shall in all respects be construed according to the laws of the State of Texas without regard to its conflict of laws principles that would result in the application of the laws of another jurisdiction. With respect to any claim or dispute related to or arising under this Agreement, the parties hereby consent to the arbitration provisions of Section 12 and recognize and agree that should any resort to a court be necessary and permitted under this Agreement, then they consent to the exclusive jurisdiction, forum and venue of the state and federal courts (as applicable) located in Harris County, Texas.

17. **Entire Agreement and Amendment**. This Agreement contains the entire agreement of the parties with respect to the matters covered herein and supersedes all prior and contemporaneous agreements and understandings, oral or written, between the parties hereto concerning the subject matter hereof. In entering into this Agreement, Employee expressly acknowledges and agrees that Employee has received all sums and compensation that Employee has been owed, is owed, or ever could be owed for services provided to any member of the Company Group through the date Employee signs this Agreement, with the exception of any unpaid Base Salary for the pay period that includes the date on which Employee signs this Agreement. This Agreement may be amended only by a written instrument executed by both parties hereto.

18. **Waiver of Breach**. Any waiver of this Agreement must be executed by the party to be bound by such waiver. No waiver by either party hereto of a breach of any provision of this Agreement by the other party, or of compliance with any condition or provision of this Agreement to be performed by such other party, will operate or be construed as a waiver of any subsequent breach by such other party or any similar or dissimilar provision or condition at the same or any subsequent time. The failure of either party hereto to take any action by reason of any breach will not deprive such party of the right to take action at any time.

19. **Assignment**. This Agreement is personal to Employee, and neither this Agreement nor any rights or obligations hereunder shall be assignable or otherwise transferred by Employee. The Company may assign this Agreement without Employee’s consent, including to any member

of the Company Group and to any successor to or acquirer of (whether by merger, purchase or otherwise) all or substantially all of the equity, assets or businesses of the Company.

20. **Notices**. Notices provided for in this Agreement shall be in writing and shall be deemed to have been duly received (a) when delivered in person, (b) when sent by facsimile transmission (with confirmation of transmission) on a Business Day to the number set forth below, if applicable; *provided*, *however*, that if a notice is sent by facsimile transmission after normal business hours of the recipient or on a non-Business Day, then it shall be deemed to have been received on the next Business Day after it is sent, (c) on the first Business Day after such notice is sent by express overnight courier service, or (d) on the second Business Day following deposit with an internationally-recognized second-day courier service with proof of receipt maintained, in each case, to the following address, as applicable:

If to the Company, addressed to:

Select Energy Services, LLC
1820 N I-35
Gainesville, Texas 76240
Attn: Chief Executive Officer

If to Employee, addressed to Employee's last known address on file with the Company.

21. **Counterparts**. This Agreement may be executed in any number of counterparts, including by electronic mail or facsimile, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a copy hereof containing multiple signature pages, each signed by one party, but together signed by both parties hereto.

22. **Deemed Resignations**. Except as otherwise determined by the Board or as otherwise agreed to in writing by Employee and any member of the Company Group prior to the termination of Employee's employment with the Company or any member of the Company Group, any termination of Employee's employment shall constitute, as applicable, an automatic resignation of Employee: (a) as an officer of the Company and each member of the Company Group; (b) from the Board; and (c) from the board of directors or board of managers (or similar governing body) of any member of the Company Group and from the board of directors or board of managers (or similar governing body) of any corporation, limited liability entity, unlimited liability entity or other entity in which any member of the Company Group holds an equity interest and with respect to which board of directors or board of managers (or similar governing body) Employee serves as such Company Group member's designee or other representative.

23. **Section 409A**.

(a) Notwithstanding any provision of this Agreement to the contrary, all provisions of this Agreement are intended to comply with Section 409A of the Internal Revenue Code of 1986 (the "**Code**"), and the applicable Treasury regulations and administrative guidance issued thereunder (collectively, "**Section 409A**") or an exemption therefrom and shall be construed and administered in accordance with such intent. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service

or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Any payments to be made under this Agreement upon a termination of Employee's employment shall only be made if such termination of employment constitutes a "separation from service" under Section 409A.

(b) To the extent that any right to reimbursement of expenses or payment of any benefit in-kind under this Agreement constitutes nonqualified deferred compensation (within the meaning of Section 409A), (i) any such expense reimbursement shall be made by the Company no later than the last day of Employee's taxable year following the taxable year in which such expense was incurred by Employee, (ii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (iii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year; *provided*, that the foregoing clause shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period in which the arrangement is in effect.

(c) Notwithstanding any provision in this Agreement to the contrary, if any payment or benefit provided for herein would be subject to additional taxes and interest under Section 409A if Employee's receipt of such payment or benefit is not delayed until the earlier of (i) the date of Employee's death or (ii) the date that is six (6) months after the Termination Date (such date, the "**Section 409A Payment Date**"), then such payment or benefit shall not be provided to Employee (or Employee's estate, if applicable) until the Section 409A Payment Date. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement are exempt from, or compliant with, Section 409A and in no event shall any member of the Company Group be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by Employee on account of non-compliance with Section 409A.

24. Certain Excise Taxes. Notwithstanding anything to the contrary in this Agreement, if Employee is a "disqualified individual" (as defined in Section 280G(c) of the Code), and the payments and benefits provided for in this Agreement, together with any other payments and benefits which Employee has the right to receive from the Company or any of its affiliates, would constitute a "parachute payment" (as defined in Section 280G(b)(2) of the Code), then the payments and benefits provided for in this Agreement shall be either (a) reduced (but not below zero) so that the present value of such total amounts and benefits received by Employee from the Company or any of its affiliates shall be one dollar (\$1.00) less than three times Employee's "base amount" (as defined in Section 280G(b)(3) of the Code) and so that no portion of such amounts and benefits received by Employee shall be subject to the excise tax imposed by Section 4999 of the Code or (b) paid in full, whichever produces the better net after-tax position to Employee (taking into account any applicable excise tax under Section 4999 of the Code and any other applicable taxes). The reduction of payments and benefits hereunder, if applicable, shall be made by reducing, first, payments or benefits to be paid in cash hereunder in the order in which such payment or benefit would be paid or provided (beginning with such payment or benefit that would be made last in time and continuing, to the extent necessary, through to such payment or benefit that would be made first in time) and, then, reducing any benefit to be provided in-kind hereunder

in a similar order. The determination as to whether any such reduction in the amount of the payments and benefits provided hereunder is necessary shall be made by the Company in good faith. If a reduced payment or benefit is made or provided and through error or otherwise that payment or benefit, when aggregated with other payments and benefits from the Company or any of its affiliates used in determining if a “parachute payment” exists, exceeds one dollar (\$1.00) less than three times Employee’s base amount, then Employee shall immediately repay such excess to the Company upon notification that an overpayment has been made. Nothing in this Section 24 shall require the Company to be responsible for, or have any liability or obligation with respect to, Employee’s excise tax liabilities under Section 4999 of the Code.

25. **Clawback**. To the extent required by applicable law or any applicable securities exchange listing standards, or as otherwise determined by the Board (or a committee thereof), amounts paid or payable under this Agreement shall be subject to the provisions of any applicable clawback policies or procedures adopted by the Company, which clawback policies or procedures may provide for forfeiture and/or recoupment of amounts paid or payable under this Agreement. Notwithstanding any provision of this Agreement to the contrary, the Company reserves the right, without the consent of Employee, to adopt any such clawback policies and procedures, including such policies and procedures applicable to this Agreement with retroactive effect.

26. **Effect of Termination**. The provisions of Sections 7, 9 - 14 and 22 and those provisions necessary to interpret and enforce them, shall survive any termination of this Agreement and any termination of the employment relationship between Employee and the Company.

27. **Third-Party Beneficiaries**. Each member of the Company Group that is not a signatory to this Agreement shall be a third-party beneficiary of Employee’s obligations under Sections 8, 9, 10, 11, 12 and 22 and shall be entitled to enforce such obligations as if a party hereto.

28. **Severability**. If an arbitrator or court of competent jurisdiction determines that any provision of this Agreement (or portion thereof) is invalid or unenforceable, then the invalidity or unenforceability of that provision (or portion thereof) shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect.

[Remainder of Page Intentionally Blank;
Signature Page Follows]

IN WITNESS WHEREOF, Employee and the Company each have caused this Agreement to be executed and effective as of the Effective Date.

EMPLOYEE

/s/ Adam Law
Adam Law

SELECT ENERGY SERVICES, LLC

By: /s/ Holli Ladhani
Name: Holli Ladhani
Title: President and Chief Executive Officer

Signature Page to
Employment Agreement

EXHIBIT A
MARKET AREA

STATE	COUNTY/PARISH			
COLORADO	Adams	Arapahoe	Weld	
LOUISIANA	Bossier Caddo	De Soto Jackson	Lincoln Red River	Sabine
NEW MEXICO	Chaves	Eddy	Lea	San Juan
NORTH DAKOTA	Billings Burke	Divide Dunn	Golden Valley McKenzie	Mountrail Williams
OHIO	Ashland Belmont	Guernsey Harrison	Jefferson Monroe	Summit Trumbull
OKLAHOMA	Alfalfa Beckham Blaine Canadian Carter Coal Custer	Dewey Ellis Garfield Garvin Grady Hughes Kingfisher	Lincoln Logan Love Major McClain Oklahoma	Pittsburg Roger Mills Stephens Washita Woods Woodward
PENNSYLVANIA	Armstrong Bradford Elk	Greene Lycoming Sullivan	Tioga Washington	Westmoreland Wyoming
TEXAS	Andrews Angelina Atascosa Borden Culberson DeWitt Dimmit Ector Frio Glasscock Gonzales	Hemphill Henderson Howard Irion Jackson Karnes La Salle Lavaca Live Oak Loving Martin	Maverick McMullen Midland Nacogdoches Panola Pecos Reagan Reeves Roberts Rusk San Augustine	Shelby Tarrant Tom Green Upton Ward Webb Wheeler Winkler Wise Zavala
UTAH	Duchesne			
WEST VIRGINIA	Brooke Doddridge Harrison	Marion Marshall Monongalia	Ohio Ritchie	Tyler Wetzel
WYOMING	Campbell Converse	Johnson	Laramie	Sweetwater

Exhibit A

Subsidiaries of Select Energy Services, Inc.

Entity	State of Formation
SES Holdings, LLC	Delaware
Select Energy Services, LLC	Delaware
Peak Oilfield Services, LLC	Texas
Affirm Oilfield Services, LLC	Texas
Rockwater Energy Solutions, LLC	Delaware
Benchmark Energy Products, LLC	Texas
Reef Services, LLC	Delaware
Rockwater West TX, LLC	Delaware
Crescent Companies, LLC	Oklahoma

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated March 1, 2019, with respect to the consolidated financial statements and internal control over financial reporting, included in the Annual Report of Select Energy Services, Inc. on Form 10-K for the year ended December 31, 2018. We consent to the incorporation by reference of said reports in the Registration Statements of Select Energy Services, Inc. on Forms S-8 (File No. 333-217561, effective April 28, 2017, File No. 333-221282, effective November 2, 2017, and File No. 333-222816, effective February 1, 2018) and Form S-3ASR (File No. 333-224956, effective May 16, 2018).

/s/ Grant Thornton LLP

Dallas, Texas
March 1, 2019

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Holli Ladhani, certify that:

1. I have reviewed this annual report of Select Energy Services, Inc. (the “registrant”);
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(s) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 1, 2019

/s/ Holli Ladhani

Holli Ladhani
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Nick Swyka, certify that:

1. I have reviewed this annual report of Select Energy Services, Inc. (the “registrant”);
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(s) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 1, 2019

/s/ Nick Swyka

Nick Swyka
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
UNDER SECTION 906 OF THE
SARBANES OXLEY ACT OF 2002, 18 U.S.C. § 1350**

In connection with the annual report of Select Energy Services, Inc. (the “Company”), as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Holli Ladhani, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to her knowledge:

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

Date: March 1, 2019

/s/ Holli Ladhani

Holli Ladhani

President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF
CHIEF FINANCIAL OFFICER
UNDER SECTION 906 OF THE
SARBANES OXLEY ACT OF 2002, 18 U.S.C. § 1350**

In connection with the annual report of Select Energy Services, Inc. (the “Company”), as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Nick Swyka, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

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

Date: March 1, 2019

/s/ Nick Swyka

Nick Swyka

Senior Vice President and Chief Financial
Officer

(Principal Financial Officer)
