

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

**Form 10-Q**

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

For the quarterly period ended September 30, 2024  
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 1-39270

**Patterson-UTI Energy, Inc.**  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

10713 W. Sam Houston Pkwy N, Suite 800  
Houston, Texas

(Address of principal executive offices)

75-2504748  
(I.R.S. Employer Identification No.)

77064  
(Zip Code)

(281) 765-7100  
(Registrant's telephone number, including area code)

N/A  
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.01 Par Value	PTEN	The Nasdaq Global Select Market

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 (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

389,956,453 shares of common stock, \$0.01 par value, as of October 23, 2024.

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

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**PART I — FINANCIAL INFORMATION**

**ITEM 1. Financial Statements**

The following unaudited condensed consolidated financial statements include all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented.

**PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(unaudited, in thousands, except share data)

	September 30, 2024	December 31, 2023
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash, cash equivalents and restricted cash	\$ 115,482	\$ 192,680
Accounts receivable, net of allowance for credit losses of \$14,954 and \$3,490 at September 30, 2024 and December 31, 2023, respectively	863,779	971,091
Inventory	172,750	180,805
Other current assets	150,239	141,122
<b>Total current assets</b>	<b>1,302,250</b>	<b>1,485,698</b>
Property and equipment, net	3,095,070	3,340,412
Operating lease right of use asset	47,424	47,599
Finance lease right of use asset	33,874	63,228
Goodwill	487,388	1,379,741
Intangible assets, net	962,595	1,051,697
Deposits on equipment purchases	10,982	28,305
Other assets	24,094	19,424
Deferred tax assets, net	—	3,927
<b>Total assets</b>	<b>\$ 5,963,677</b>	<b>\$ 7,420,031</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 493,360	\$ 534,420
Accrued liabilities	326,794	446,268
Operating lease liability	13,846	13,541
Finance lease liability	14,889	43,980
Current maturities of long-term debt	9,513	12,226
<b>Total current liabilities</b>	<b>858,402</b>	<b>1,050,435</b>
Long-term operating lease liability	36,794	37,848
Long-term finance lease liability	17,771	12,953
Long-term debt, net of debt discount and issuance costs of \$7,956 and \$8,919 at September 30, 2024 and December 31, 2023, respectively	1,219,461	1,224,941
Deferred tax liabilities, net	245,687	248,107
Other liabilities	13,604	25,066
<b>Total liabilities</b>	<b>2,391,719</b>	<b>2,599,350</b>
Commitments and contingencies (see Note 10)		
<b>Stockholders' equity:</b>		
Preferred stock, par value \$0.01; authorized 1,000,000 shares, no shares issued	—	—
Common stock, par value \$0.01; authorized 800,000,000 shares with 520,742,360 and 516,775,313 issued and 389,938,852 and 411,195,302 outstanding at September 30, 2024 and December 31, 2023, respectively	5,207	5,166
Additional paid-in capital	6,443,043	6,407,294
Retained earnings (deficit)	(956,173)	57,035
Accumulated other comprehensive income (loss)	(51)	472
Treasury stock, at cost, 130,803,508 and 105,580,011 shares at September 30, 2024 and December 31, 2023, respectively	(1,929,899)	(1,657,675)
<b>Total stockholders' equity attributable to controlling interests</b>	<b>3,562,127</b>	<b>4,812,292</b>
Noncontrolling interest	9,831	8,389
<b>Total equity</b>	<b>3,571,958</b>	<b>4,820,681</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 5,963,677</b>	<b>\$ 7,420,031</b>

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

**PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(unaudited, in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Operating revenues:</b>				
Drilling Services	\$ 421,563	\$ 488,775	\$ 1,319,425	\$ 1,456,161
Completion Services	831,567	459,574	2,581,937	1,003,083
Drilling Products	89,102	46,570	265,129	46,570
Other	14,990	16,533	49,285	56,325
Total operating revenues	<u>1,357,222</u>	<u>1,011,452</u>	<u>4,215,776</u>	<u>2,562,139</u>
<b>Operating costs and expenses:</b>				
Drilling Services	250,877	279,927	784,111	842,761
Completion Services	703,809	368,869	2,102,643	785,458
Drilling Products	47,144	32,071	141,921	32,071
Other	10,077	10,591	31,535	31,912
Depreciation, depletion, amortization and impairment	374,680	197,635	917,274	452,629
Impairment of goodwill	885,240	—	885,240	—
Selling, general and administrative	65,696	45,102	195,258	108,925
Credit loss expense	721	—	5,679	—
Merger and integration expense	6,699	70,188	29,577	78,128
Other operating expense (income), net	2,908	(2,635)	(19,060)	(9,994)
Total operating costs and expenses	<u>2,347,851</u>	<u>1,001,748</u>	<u>5,074,178</u>	<u>2,321,890</u>
Operating income (loss)	<u>(990,629)</u>	<u>9,704</u>	<u>(858,402)</u>	<u>240,249</u>
<b>Other income (expense):</b>				
Interest income	745	2,131	4,801	4,583
Interest expense, net of amount capitalized	(17,990)	(15,625)	(54,238)	(34,189)
Other income (expense)	(716)	(618)	358	3,191
Total other expense	<u>(17,961)</u>	<u>(14,112)</u>	<u>(49,079)</u>	<u>(26,415)</u>
Income (loss) before income taxes	<u>(1,008,590)</u>	<u>(4,408)</u>	<u>(907,481)</u>	<u>213,834</u>
Income tax expense (benefit)	<u>(30,256)</u>	<u>(4,130)</u>	<u>7,526</u>	<u>29,820</u>
Net income (loss)	<u>(978,334)</u>	<u>(278)</u>	<u>(915,007)</u>	<u>184,014</u>
Net income (loss) attributable to noncontrolling interest	<u>427</u>	<u>(328)</u>	<u>1,442</u>	<u>(328)</u>
Net income (loss) attributable to common stockholders	<u>\$ (978,761)</u>	<u>\$ 50</u>	<u>\$ (916,449)</u>	<u>\$ 184,342</u>
<b>Net income (loss) attributable to common stockholder per common share:</b>				
Basic	<u>\$ (2.50)</u>	<u>\$ 0.00</u>	<u>\$ (2.29)</u>	<u>\$ 0.79</u>
Diluted	<u>\$ (2.50)</u>	<u>\$ 0.00</u>	<u>\$ (2.29)</u>	<u>\$ 0.79</u>
<b>Weighted average number of common shares outstanding:</b>				
Basic	<u>391,732</u>	<u>280,218</u>	<u>399,795</u>	<u>233,631</u>
Diluted	<u>391,732</u>	<u>281,984</u>	<u>399,795</u>	<u>234,488</u>
Cash dividends per common share	<u>\$ 0.08</u>	<u>\$ 0.08</u>	<u>\$ 0.24</u>	<u>\$ 0.24</u>

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

**PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss)	\$ (978,334)	\$ (278)	\$ (915,007)	\$ 184,014
Other comprehensive income (loss):				
Foreign currency translation adjustment, net of taxes of \$0 for all periods	597	(656)	(523)	(656)
Comprehensive income (loss)	(977,737)	(934)	(915,530)	183,358
Less: comprehensive income (loss) attributable to noncontrolling interest	427	(328)	1,442	(328)
Comprehensive income (loss) attributable to common stockholders	\$ (978,164)	\$ (606)	\$ (916,972)	\$ 183,686

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

**PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(unaudited, in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Noncontrolling Interest	Total
	Number of Shares	Amount						
<b>Balance, December 31, 2023</b>	516,775	\$ 5,166	\$ 6,407,294	\$ 57,035	\$ 472	\$ (1,657,675)	\$ 8,389	\$ 4,820,681
Net income	—	—	—	51,235	—	—	471	51,706
Foreign currency translation adjustment	—	—	—	—	(993)	—	—	(993)
Vesting of restricted stock units	1,363	14	(14)	—	—	—	—	—
Stock-based compensation	—	—	12,051	—	—	—	—	12,051
Payment of cash dividends (\$0.08 per share)	—	—	—	(32,553)	—	—	—	(32,553)
Dividend equivalents	—	—	—	(422)	—	—	—	(422)
Purchase of treasury stock	—	—	—	—	—	(98,613)	—	(98,613)
<b>Balance, March 31, 2024</b>	518,138	\$ 5,180	\$ 6,419,331	\$ 75,295	\$ (521)	\$ (1,756,288)	\$ 8,860	\$ 4,751,857
Net income	—	—	—	11,077	—	—	544	11,621
Foreign currency translation adjustment	—	—	—	—	(127)	—	—	(127)
Issuance of restricted stock	719	8	(8)	—	—	—	—	—
Vesting of restricted stock units	1,647	17	(17)	—	—	—	—	—
Stock-based compensation	—	—	10,813	—	—	—	—	10,813
Payment of cash dividends (\$0.08 per share)	—	—	—	(31,815)	—	—	—	(31,815)
Dividend equivalents	—	—	—	(348)	—	—	—	(348)
Purchase of treasury stock	—	—	—	—	—	(133,487)	—	(133,487)
<b>Balance, June 30, 2024</b>	520,504	\$ 5,205	\$ 6,430,119	\$ 54,209	\$ (648)	\$ (1,889,775)	\$ 9,404	\$ 4,608,514
Net income (loss)	—	—	—	(978,761)	—	—	427	(978,334)
Foreign currency translation adjustment	—	—	—	—	597	—	—	597
Vesting of restricted stock units	238	2	(2)	—	—	—	—	—
Stock-based compensation	—	—	12,926	—	—	—	—	12,926
Payment of cash dividends (\$0.08 per share)	—	—	—	(31,225)	—	—	—	(31,225)
Dividend equivalents	—	—	—	(396)	—	—	—	(396)
Purchase of treasury stock	—	—	—	—	—	(40,124)	—	(40,124)
<b>Balance, September 30, 2024</b>	520,742	\$ 5,207	\$ 6,443,043	\$ (956,173)	\$ (51)	\$ (1,929,899)	\$ 9,831	\$ 3,571,958

	Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock	Noncontrolling Interest	Total
	Number of Shares	Amount						
<b>Balance, December 31, 2022</b>	302,326	\$ 3,023	\$ 3,202,973	\$ (87,394)	\$ —	\$ (1,453,079)	\$ —	\$ 1,665,523
Net income	—	—	—	99,678	—	—	—	99,678
Vesting of restricted stock units	89	1	(1)	—	—	—	—	—
Stock-based compensation	—	—	(758)	—	—	—	—	(758)
Payment of cash dividends (\$0.08 per share)	—	—	—	(16,916)	—	—	—	(16,916)
Dividend equivalents	—	—	—	(263)	—	—	—	(263)
Purchase of treasury stock	—	—	—	—	—	(74,307)	—	(74,307)
<b>Balance, March 31, 2023</b>	302,415	\$ 3,024	\$ 3,202,214	\$ (4,895)	\$ —	\$ (1,527,386)	\$ —	\$ 1,672,957
Net income	—	—	—	84,614	—	—	—	84,614
Issuance of restricted stock	1,001	10	(10)	—	—	—	—	—
Vesting of restricted stock units	1,512	15	(15)	—	—	—	—	—
Stock-based compensation	—	—	6,738	—	—	—	—	6,738
Payment of cash dividends (\$0.08 per share)	—	—	—	(16,591)	—	—	—	(16,591)
Dividend equivalents	—	—	—	(229)	—	—	—	(229)
Purchase of treasury stock	—	—	—	—	—	(27,320)	—	(27,320)
<b>Balance, June 30, 2023</b>	304,928	\$ 3,049	\$ 3,208,927	\$ 62,899	\$ —	\$ (1,554,706)	\$ —	\$ 1,720,169
Net income (loss)	—	—	—	50	—	—	(328)	(278)
Noncontrolling interest	—	—	—	—	—	—	8,729	8,729
Foreign currency translation adjustment	—	—	—	—	(656)	—	—	(656)
Issuance of common stock - Ulterra acquisition	34,900	349	521,057	—	—	—	—	521,406
Issuance of common stock - NexTier merger	172,224	1,722	2,566,150	—	—	—	—	2,567,872
Issuance of replacement awards related to NexTier merger	—	—	72,413	—	—	—	—	72,413
Vesting of restricted stock units	3,793	38	(38)	—	—	—	—	—
Stock-based compensation	—	—	27,358	—	—	—	—	27,358
Payment of cash dividends (\$0.08 per share)	—	—	—	(33,217)	—	—	—	(33,217)
Dividend equivalents	—	—	—	(811)	—	—	—	(811)
Purchase of treasury stock	—	—	—	—	—	(23,371)	—	(23,371)
<b>Balance, September 30, 2023</b>	515,845	\$ 5,158	\$ 6,395,867	\$ 28,921	\$ (656)	\$ (1,578,077)	\$ 8,401	\$ 4,859,614

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

**PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited, in thousands)

	Nine Months Ended September 30,	
	2024	2023
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ (915,007)	\$ 184,014
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, amortization and impairment	917,274	452,629
Impairment of goodwill	885,240	—
Deferred income tax expense	5,824	22,323
Stock-based compensation	35,790	33,338
Net (gain) loss on asset disposals	(5,956)	427
Credit loss expense	5,679	—
Other	1,668	(1,188)
Changes in operating assets and liabilities:		
Accounts receivable	103,691	45,207
Inventory	(15,086)	(29,355)
Other current assets	(7,457)	(30,053)
Other assets	23,397	16,460
Accounts payable	(25,322)	(29,388)
Accrued liabilities	(124,560)	(71,689)
Other liabilities	(25,473)	(39,443)
Net cash provided by operating activities	<u>859,702</u>	<u>553,282</u>
<b>Cash flows from investing activities:</b>		
Acquisitions, net of cash acquired - NexTier	—	(65,185)
Acquisitions, net of cash acquired - Ulterra	2,983	(357,314)
Purchases of property and equipment	(538,036)	(410,417)
Proceeds from disposal of assets	14,685	19,566
Other	(4,447)	(286)
Net cash used in investing activities	<u>(524,815)</u>	<u>(813,636)</u>
<b>Cash flows from financing activities:</b>		
Purchases of treasury stock	(269,948)	(124,286)
Dividends paid	(95,593)	(66,724)
Proceeds from borrowings under revolving credit facility	50,000	420,000
Repayment of borrowings under revolving credit facility	(50,000)	(420,000)
Proceeds from issuance of senior notes	—	396,412
Payments of finance leases	(36,635)	(6,321)
Repayment of senior notes	—	(7,837)
Other	(9,156)	(2,933)
Net cash (used in) provided by financing activities	<u>(411,332)</u>	<u>188,311</u>
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(753)	1,538
Net decrease in cash, cash equivalents and restricted cash	(77,198)	(70,505)
Cash, cash equivalents and restricted cash at beginning of period	192,680	137,553
Cash, cash equivalents and restricted cash at end of period	<u>\$ 115,482</u>	<u>\$ 67,048</u>
<b>Supplemental disclosure of cash flow information:</b>		
Net cash paid during the period for:		
Interest, net of capitalized interest of \$938 in 2024 and \$1,350 in 2023	\$ (44,454)	\$ (29,269)
Income taxes	(14,328)	(27,454)
Non-cash investing and financing activities:		
Net decrease in payables for purchases of property and equipment	\$ (15,645)	\$ (10,083)
Net decrease in deposits on equipment purchases	17,323	7,214
Purchases of property and equipment through exchange of lease right of use asset	26,382	3,241
Derecognition of right of use asset	(31,538)	(3,241)
Issuance of common stock for business combinations	—	3,161,691

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



**PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Basis of Presentation**

*Basis of presentation* — The unaudited interim condensed consolidated financial statements include the accounts of Patterson-UTI Energy, Inc. and its wholly-owned subsidiaries and consolidating interest of a joint venture (collectively referred to herein as “we,” “us,” “our,” “ours” and like terms). All intercompany accounts and transactions have been eliminated. Patterson-UTI Energy, Inc. conducts its business operations through its wholly-owned subsidiaries and has no employees or independent operations. Certain immaterial prior year amounts have been reclassified to conform to current year presentation.

The U.S. dollar is the reporting currency and functional currency for most of our operations except certain of our foreign subsidiaries, which use their local currencies as their functional currency. Assets and liabilities of these foreign subsidiaries are translated into U.S. dollars using the exchange rates in effect as of the balance sheet date. The effects of these translation adjustments are reflected in accumulated other comprehensive income, which is a separate component of stockholders’ equity.

The unaudited interim condensed consolidated financial statements have been prepared by us pursuant to the rules and regulations of the United States Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been omitted pursuant to such rules and regulations, although we believe the disclosures included either on the face of the financial statements or herein are sufficient to make the information presented not misleading. In the opinion of management, all recurring adjustments considered necessary for a fair statement of the information in conformity with GAAP have been included. The unaudited condensed consolidated balance sheet as of December 31, 2023, as presented herein, was derived from our audited consolidated balance sheet but does not include all disclosures required by GAAP. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (our “Annual Report”). The results of operations for the three and nine months ended September 30, 2024 are not necessarily indicative of the results to be expected for the full year.

There have been no material changes to our critical accounting policies from those disclosed in our Annual Report.

*Restricted cash* — Restricted cash includes amounts restricted as cash collateral for the issuance of standby letters of credit.

The following table provides a reconciliation of cash and restricted cash reported within the unaudited condensed consolidated balance sheets that sum to the total of such amounts shown in the unaudited condensed statements of cash flows for the nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30,	
	2024	2023
Cash and cash equivalents	\$ 113,379	\$ 61,856
Restricted cash	2,103	5,192
Total cash, cash equivalents and restricted cash	<u>\$ 115,482</u>	<u>\$ 67,048</u>

*Recently Issued Accounting Standards* — In March 2020, the FASB issued an accounting standards update to provide temporary optional expedients that simplify the accounting for contract modifications to existing debt agreements expected to arise from the market transition from LIBOR to alternative reference rates. The amendments in the update are effective as of March 12, 2020 through December 31, 2022 and may be applied to contract modifications from the beginning of an interim period that includes or is subsequent to March 12, 2020. In December 2022, the FASB issued an update, which deferred the sunset date to December 31, 2024. We do not expect this new guidance will have a material impact on our consolidated financial statements.

In November 2023, the FASB issued an accounting standards update to improve reportable segment disclosure requirements and enhance disclosures about significant segment expenses. The amendments in the update are effective for public business entities for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024 on a retrospective basis. We are currently evaluating the effect of this pronouncement on our disclosures.

In December 2023, the FASB issued an accounting standards update to improve income tax disclosure requirements. The amendments in the update are effective for public business entities for fiscal years beginning after December 15, 2024 and should be applied prospectively. We are currently evaluating the effect of this pronouncement on our disclosures.

## 2. Business Combinations

### Ulterra Drilling Technologies, L.P.

On August 14, 2023, we completed our acquisition (the “Ulterra acquisition”) of Ulterra Drilling Technologies, L.P. (“Ulterra”). Total consideration for the acquisition included the issuance of 34.9 million shares of our common stock and payment of approximately \$373 million of cash (after purchase price adjustments), which based on the closing price of our common stock of \$14.94 on August 14, 2023, valued the transaction at closing at approximately \$894 million.

The total fair value of the consideration transferred was determined as follows (in thousands, except stock price):

Shares of our common stock issued to Ulterra		34,900
Our common stock price on August 14, 2023	\$	14.94
Common stock equity consideration	\$	521,406
Plus net cash consideration <sup>(1)</sup>		372,757
Total consideration transferred	\$	894,163

<sup>(1)</sup> Net cash consideration included \$370 million cash consideration as adjusted for customary purchase price adjustments set forth in the Ulterra merger agreement relating to cash, net working capital, indebtedness and transaction expenses of Ulterra as of the closing.

The acquisition has been accounted for as a business combination using the acquisition method. Under the acquisition method of accounting, the fair value of the consideration transferred is allocated to the tangible and intangible assets acquired and the liabilities assumed based on their estimated fair values as of the acquisition date.

The aggregate purchase price noted above was allocated to the major categories of assets acquired and liabilities assumed based on preliminary estimated fair values as of the date of the business combination. We applied significant judgment in estimating the fair value of assets acquired and liabilities assumed, which involved the use of significant estimates and assumptions with respect to future rig counts, cash flow projections, estimated economic useful lives, operating and capital cost estimates, customer attrition rates, contributory asset charges, royalty rates and discount rate (10.5%). The carrying amounts of cash and cash equivalents, accounts receivable, other assets, accounts payable and accrued liabilities approximate their fair values due to their nature or the short-term maturity of instruments. The remaining assets acquired and liabilities assumed are based on inputs that are not observable in the market and thus represent Level 3 inputs. The fair value of inventory and rental equipment was determined using a replacement cost approach. Intangible assets primarily consist of customer relationships and developed technology, the fair values of which were determined using an income approach. Property and equipment was valued using a combination of indirect cost and a market approach. The fair value was estimated by using a multi-period excess earnings method for customer relationships and a relief from royalty method for trade name and developed technology. The purchase price allocation was finalized in the third quarter of 2024. The valuation period adjustments did not have a material impact on our consolidated financial statements.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

<b>Assets acquired:</b>	
Cash and cash equivalents	\$ 18,426
Accounts receivable	68,467
Inventory <sup>(1)</sup>	36,313
Rental equipment <sup>(2)</sup>	109,055
Property and equipment	27,583
Intangible assets	313,000
Operating lease right of use asset	7,513
Finance lease right of use asset	5,228
Other assets	15,989
<b>Total assets acquired</b>	<b>601,574</b>
<b>Liabilities assumed:</b>	
Accounts payable	23,258
Accrued liabilities	33,323
Operating lease liability	7,513
Finance lease liability	5,228
Deferred tax liabilities	79,863
<b>Total liabilities assumed</b>	<b>149,185</b>
Less: noncontrolling interest	(8,729)
<b>Net assets acquired</b>	<b>443,660</b>
Goodwill	450,503
<b>Total consideration transferred</b>	<b>\$ 894,163</b>

<sup>(1)</sup> We recorded an adjustment of \$5.5 million to write-up acquired drill bits classified as inventory to estimated fair value. This adjustment will be recorded as direct operating expense as acquired drill bits are sold.

<sup>(2)</sup> We recorded an adjustment of \$74.4 million to write-up acquired drill bits classified as long-lived assets to estimated fair value. This adjustment will be depreciated as acquired drill bits are rented over a weighted-average estimated useful life of 7.5 runs.

The goodwill recognized in the acquisition represents the excess of the gross consideration transferred over the fair value of the underlying net tangible and identifiable intangible assets acquired and liabilities assumed. Goodwill represents the potential for new growth opportunities internationally with the acquisition of Ulterra as well as the recognition of deferred taxes for the difference between the fair value of the assets acquired and liabilities assumed and the respective carry-over tax basis. Goodwill is not deductible for tax purposes. All of the goodwill was assigned to our Drilling Products segment. See Note 7.

#### **NexTier Oilfield Solutions Inc.**

On September 1, 2023, we completed our merger (the “NexTier merger”) with NexTier Oilfield Solutions Inc. (“NexTier”). Under the terms of the merger agreement, NexTier became our wholly-owned subsidiary. Each share of NexTier common stock issued and outstanding immediately prior to the effective time of the merger was converted into the right to receive 0.752 shares of our common stock. Additionally, certain equity awards that were granted and outstanding under NexTier long-term incentive plans were assumed by us, and such equity awards were converted into equity awards in respect of our common stock in accordance with the merger agreement.

NexTier is a predominately U.S. land-focused oilfield service provider, with a diverse set of well completion and production services across a variety of active basins.

The total fair value of the consideration transferred was determined as follows (in thousands, except exchange ratio and stock price):

Number of shares of NexTier common stock outstanding as of September 1, 2023	228,846
Multiplied by the exchange ratio	0.752
Number of shares of Patterson-UTI Energy, Inc. common stock issued in connection with the merger	172,092
Patterson-UTI Energy, Inc. common stock price on September 1, 2023	\$ 14.91
Common stock equity consideration	2,565,895
Acceleration of RSU awards	1,997
Fair value of replacement equity awards <sup>(1)</sup>	70,416
NexTier long-term debt repaid by Patterson-UTI Energy, Inc.	161,000
Consideration transferred	\$ 2,799,308

<sup>(1)</sup> In connection with the merger, each of the share-based awards held by legacy NexTier employees were replaced with our share-based awards on the merger date. The fair value of the replacement awards has been allocated between each employee's pre-combination and post-combination services. Amounts allocated to pre-combination services have been included as consideration transferred as part of the merger. See Note 12 for replacement awards details.

The transaction has been accounted for as a business combination using the acquisition method with Patterson-UTI Energy, Inc. determined to be the acquirer. Under the acquisition method of accounting, the fair value of the consideration transferred is allocated to the tangible and intangible assets acquired and the liabilities assumed based on their estimated fair values as of the acquisition date.

The aggregate purchase price noted above was allocated to the major categories of assets acquired and liabilities assumed based on preliminary estimated fair values as of the date of the business combination. We applied significant judgment in estimating the fair value of assets acquired and liabilities assumed, which involved the use of significant estimates and assumptions with respect to future rig counts, cash flow projections, estimated economic useful lives, operating and capital cost estimates, customer attrition rates, contributory asset charges, royalty rates and discount rate (14.0%). The carrying amounts of cash and cash equivalents, accounts receivable, inventory, other assets, accounts payable, accrued liabilities, and other liabilities approximate their fair values due to their nature or the short-term maturity of instruments. The remaining assets acquired and liabilities assumed are based on inputs that are not observable in the market and thus represent Level 3 inputs. The fair value of property and equipment was determined using a combination of replacement cost and indirect cost. Intangible assets were valued using an income approach. The fair value was estimated by using multi-period excess earnings method for customer relationships and a relief from royalty method for trade name and developed technology. The purchase price allocation was finalized in the third quarter of 2024. The valuation period adjustments did not have a material impact on our consolidated financial statements.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of the merger:

Assets acquired:	
Cash and cash equivalents	\$ 95,815
Accounts receivable	420,200
Inventory	71,930
Property and equipment <sup>(1)</sup>	1,045,610
Intangible assets	768,000
Operating lease right of use asset	19,091
Finance lease right of use asset	50,733
Other assets	84,677
<b>Total assets acquired</b>	<b>2,556,056</b>
Liabilities assumed:	
Accounts payable	358,873
Accrued liabilities	129,535
Operating lease liability	19,091
Finance lease liability	50,733
Deferred tax liabilities	86,293
Long-term debt	22,533
Other liabilities	11,815
<b>Total liabilities assumed</b>	<b>678,873</b>
<b>Net assets acquired</b>	<b>1,877,183</b>
Goodwill	922,125
<b>Total consideration transferred</b>	<b>\$ 2,799,308</b>

<sup>(1)</sup> We recorded an adjustment of \$263 million to write-up acquired property and equipment to estimated fair value. This adjustment will be depreciated on a straight-line basis over a weighted average period of six years.

The goodwill recognized in the merger represents the excess of the gross consideration transferred over the fair value of the underlying net tangible and identifiable intangible assets acquired and liabilities assumed. Goodwill largely consisted of the expected synergies and economies of scale from the combined operations of Patterson-UTI and NexTier as well as the recognition of deferred taxes for the difference between the fair value of the assets acquired and liabilities assumed and the respective carry-over tax basis. The goodwill is not deductible for tax purposes. All of the goodwill was assigned to our completion services segment. See Note 7.

### 3. Revenues

#### ASC Topic 606 Revenue from Contracts with Customers

*Drilling Services and Completion Services* — revenue is recognized based on our customers' ability to benefit from our services in an amount that reflects the consideration we expect to receive in exchange for those services. This typically happens when the service is performed. The services we provide represent a series of distinct services, generally provided daily, that are substantially the same, with the same pattern of transfer to the customer. Because our customers benefit equally throughout the service period, generally measured in days, and our efforts in providing services are incurred relatively evenly over the period of performance, revenue is recognized as we provide services to the customer.

#### ASC Topic 842 Revenue from Equipment Rentals

*Drilling Products Revenue* — revenues are primarily generated from the rental of drilling equipment, comprised of drill bits and downhole tools. These arrangements provide the customer with the right to control the use of identified asset. Generally, the lease terms in such arrangements are for periods of two to three days and do not provide customers with options to purchase the underlying asset.

*Other* — we are a non-operating working interest owner of oil and natural gas assets primarily located in Texas and New Mexico. The ownership terms are outlined in joint operating agreements for each well between the operator of the well and the various interest owners, including us, who are considered non-operators of the well. We receive revenue each period for our working interest in the well during the period.

#### Accounts Receivable and Contract Liabilities

Accounts receivable is our right to consideration once it becomes unconditional. Payment terms typically range from 30 to 60 days.

We do not have any significant contract asset balances. Contract liabilities include prepayments received from customers prior to the requested services being completed. Also included in contract liabilities are payments received from customers for reactivation or initial mobilization of newly constructed or upgraded rigs that were moved on location to the initial well site. These payments are allocated to the overall performance obligation and amortized over the initial term of the contract. Total contract liability balances were \$13.3 million and \$103 million as of September 30, 2024 and December 31, 2023, respectively. We recognized \$99.5 million of revenue in the nine months ended September 30, 2024 that was included in the contract liability balance at the beginning of the period. Revenue related to our contract liabilities balance is expected to be recognized through 2025. The \$13.3 million current portion of our contract liability balance is included in “Accrued liabilities”.

#### Contract Costs

Costs incurred for newly constructed rigs or rig upgrades based on a contract with a customer are considered capital improvements and are capitalized to drilling equipment and depreciated over the estimated useful life of the asset.

#### Remaining Performance Obligations

We maintain a backlog of commitments for contract drilling services under term contracts, which we define as contracts with a duration of six months or more. Our contract drilling backlog in the United States as of September 30, 2024 was approximately \$401 million. Approximately 9% of our total contract drilling backlog in the United States at September 30, 2024 is reasonably expected to remain at September 30, 2025. We generally calculate our backlog by multiplying the dayrate under our term drilling contracts by the number of days remaining under the contract. The calculation does not include any revenues related to fees for other services such as for mobilization, other than initial mobilization, demobilization and customer reimbursables, nor does it include potential reductions in rates for unscheduled standby or during periods in which the rig is moving or incurring maintenance and repair time in excess of what is permitted under the drilling contract. For contracts that contain variable dayrate pricing, our backlog calculation uses the dayrate in effect for periods where the dayrate is fixed, and, for periods that remain subject to variable pricing, uses commodity pricing or other related indices in effect at September 30, 2024. In addition, our term drilling contracts are generally subject to termination by the customer on short notice and provide for an early termination payment to us in the event that the contract is terminated by the customer. For contracts on which we have received notice for the rig to be placed on standby, our backlog calculation uses the standby rate for the period over which we expect to receive the standby rate. For contracts on which we have received an early termination notice, our backlog calculation includes the early termination rate, instead of the dayrate, for the period over which we expect to receive the lower rate. Please see “Our current backlog of contract drilling revenue may decline and may not ultimately be realized, as fixed-term contracts may in certain instances be terminated without an early termination payment” included in Item 1A of our Annual Report.

#### 4. Inventory

Inventory consisted of the following at September 30, 2024 and December 31, 2023 (in thousands):

	September 30, 2024	December 31, 2023
Raw materials and supplies	\$ 127,745	\$ 141,311
Work-in-process	6,117	7,437
Finished goods	38,888	32,057
Inventory	<u>\$ 172,750</u>	<u>\$ 180,805</u>

## 5. Other Current Assets

Other current assets consisted of the following at September 30, 2024 and December 31, 2023 (in thousands):

	September 30, 2024	December 31, 2023
Federal and state income taxes receivable	\$ 35,213	\$ 26,949
Workers' compensation receivable	33,615	31,006
Prepaid expenses	42,827	46,394
Other	38,584	36,773
Other current assets	<u>\$ 150,239</u>	<u>\$ 141,122</u>

## 6. Property and Equipment

Property and equipment consisted of the following at September 30, 2024 and December 31, 2023 (in thousands):

	September 30, 2024	December 31, 2023
Equipment	\$ 8,536,173	\$ 8,506,727
Oil and natural gas properties	242,961	238,337
Buildings	249,505	248,693
Rental equipment	133,335	119,653
Land	37,973	38,811
Total property and equipment	9,199,947	9,152,221
Less accumulated depreciation, depletion, amortization and impairment	(6,104,877)	(5,811,809)
Property and equipment, net	<u>\$ 3,095,070</u>	<u>\$ 3,340,412</u>

Depreciation and depletion expense on property and equipment of approximately \$220 million and \$188 million was recorded in the three months ended September 30, 2024 and 2023, respectively. Depreciation and depletion expense on property and equipment of approximately \$684 million and \$436 million was recorded in the nine months ended September 30, 2024 and 2023, respectively.

We review our long-lived assets, including property and equipment and definite-lived intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amounts of certain assets may not be recovered over their estimated remaining useful lives ("triggering events"). In connection with this review, assets are grouped at the lowest level at which identifiable cash flows are largely independent of other asset groupings. We estimate future cash flows over the life of the respective assets or asset groupings in our assessment of impairment. These estimates of cash flows are based on historical cyclical trends in the industry as well as our expectations regarding the continuation of these trends in the future. Provisions for asset impairment are charged against income when estimated future cash flows, on an undiscounted basis, are less than the asset's net book value. Any provision for impairment is measured at fair value.

Negative market indicators such as lower industry-wide drilling rig count forecasts, increased volatility and pricing declines in the pressure pumping market, and continued efficiency gains and technology advancements reducing operating days have led to our reduced outlook for activity. The reduction in activity forecasts, the recent decline in the market price of our common stock, and the results of the fair value determination of certain of our reporting units, were triggering events indicating that certain of our long-lived tangible and intangible assets may be impaired. We deemed it necessary to perform recoverability tests on our asset groups within our completion services reporting unit and our Latin American contract drilling asset group as of September 30, 2024. Future cash flows were estimated over the expected remaining life of the primary asset for each asset group, and we determined that, on an undiscounted basis, expected cash flows exceeded the carrying value of the asset groups. As such, no impairment was indicated for our long-lived tangible or definite-lived intangible assets.

We then evaluated our fleet of drilling rigs for marketability based on the condition of inactive rigs, expenditures that would be necessary to bring them to working condition and the expected demand for drilling services by rig type. The components comprising rigs that will no longer be marketed were evaluated, and those components with continuing utility to other marketed rigs were identified for transfer to other rigs or to yards to be used as spare equipment. The remaining components of these rigs were abandoned. During the three months ended September 30, 2024, we identified 42 legacy, non-Tier-1 super-spec drilling rigs and related equipment to be abandoned. Based on the strong customer preference across the industry for Tier-1 super-spec drilling rigs, in addition to efficiency gains and technology advancements that have reduced the total number of rigs needed for the U.S. drilling

market, we believe the 42 rigs that were abandoned had limited commercial opportunity. The three and nine months ended September 30, 2024 included a charge of \$114 million related to this abandonment. No similar charges were incurred in the three and nine months ended September 30, 2023.

Geopolitical instability, global or regional decreases in the demand of our services and products, or other unforeseen macroeconomic considerations could negatively impact the expected cash flows used in our recoverability tests on our asset groups. Such changes could result in impairment charges in the future, which could be material to our results of operations and financial statements as a whole.

## 7. Goodwill and Intangible Assets

*Goodwill* — Goodwill by reportable segment as of September 30, 2024 and changes for the nine months then ended are as follows (in thousands):

	Completion Services	Drilling Products	Total
Balance at January 1, 2024	\$ 922,125	\$ 457,616	\$ 1,379,741
Measurement period adjustment	—	(7,113)	(7,113)
Impairment	(885,240)	—	(885,240)
Balance at September 30, 2024	<u>\$ 36,885</u>	<u>\$ 450,503</u>	<u>\$ 487,388</u>

Goodwill is evaluated at least annually on July 31, or more frequently when events and circumstances occur indicating recorded goodwill may be impaired. Goodwill is tested at the reporting unit level, which is at or one level below our operating segments. We determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value after considering qualitative, market and other factors, and if that is the case, any necessary goodwill impairment is determined using a quantitative impairment test. If the resulting fair value of goodwill is less than the carrying value of goodwill, an impairment loss would be recognized for the amount of the shortfall. The fair value of a reporting unit is determined using significant unobservable inputs, or level 3 in the fair value hierarchy. These inputs are based on internal management estimates, forecasts, and significant judgment.

We determined our drilling products operating segment consists of a single reporting unit and, accordingly, goodwill acquired from the Ulterra acquisition was allocated to that reporting unit. We determined our completion services operating segment consists of two reporting units; completion services, which is primarily comprised of our hydraulic fracturing operations and other integrated service offerings, and cementing services.

### *Goodwill Impairment Assessment*

Negative market indicators such as lower industry-wide drilling rig and pressure pumping fleet count forecasts, increased volatility and pricing declines in the pressure pumping market, and continued efficiency gains and technology advancements reducing operating days have led to our reduced outlook for activity. We viewed the reduction in activity forecasts combined with the recent decline in the market price of our common stock as a triggering event that warranted a quantitative assessment for goodwill impairment.

We estimated the fair value of the drilling products reporting unit in our drilling products operating segment and the completion services reporting unit in our completion services operating segment using the income approach. Under this approach, we used a discounted cash flow model, which utilizes present values of cash flows to estimate fair value. Forecasted cash flows reflected known market conditions in the third quarter of 2024 and management's anticipated business outlook for each reporting unit. Future cash flows were projected based on estimates of revenue, gross profit, selling, general and administrative expense, changes in working capital, and capital expenditures. The terminal period used within the discounted cash flow model for each reporting unit consisted of a 1% growth estimate. Future cash flows were then discounted using a market-participant, risk-adjusted weighted average cost of capital of 10.25% for the drilling products reporting unit and 10.75% for the completion services reporting unit. Financial and credit market volatility directly impacts our fair value measurement through the weighted average cost of capital used to determine a discount rate. During times of volatility, significant judgment must be applied to determine whether credit market changes are a short-term or long-term trend.

We estimated the fair value of the cementing services reporting unit in our completion services operating segment using a market approach. The market approach was based on trading multiples of earnings before interest, taxes, depreciation and amortization for companies comparable to the cementing services reporting unit.



The forecast for the completion services reporting unit assumed lower activity in 2025 compared to average activity levels for full year 2024 and increases in estimated activity of 2% to 8% beginning in 2026 through 2029. Those estimates were based on future drilling rig and pressure pumping fleet count forecasts during the third quarter of 2024 and estimated market share. Additionally, the forecast reflected the expectation that industry-wide pricing pressure will persist within the completions market and continue to compress adjusted gross profit. These factors negatively impacted the estimated value of the reporting unit.

Based on the results of the quantitative assessment, the fair value of the completion services reporting unit was less than its carrying value. Accordingly, we recorded an \$885 million impairment charge to goodwill for the completion services reporting unit during the third quarter of 2024.

The forecast for the drilling products reporting unit assumed continued growth domestically as well as in international markets. Geopolitical instability in regions in which we expect to maintain and grow market share, a global decrease in the demand of drilling products, or other unforeseen macroeconomic considerations could negatively impact the key assumptions used in our goodwill assessment for our drilling products reporting unit.

Based on the results of the goodwill impairment tests, the fair values of the drilling products and cementing services reporting units exceeded their carrying values by approximately 13% and 73%, respectively. Accordingly, no impairment was recorded for the drilling products and cementing services reporting units.

*Intangible Assets* — The following table presents the gross carrying amount and accumulated amortization of our intangible assets as of September 30, 2024 and December 31, 2023 (in thousands):

	September 30, 2024			December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 785,055	\$ (78,374)	\$ 706,681	\$ 786,715	\$ (25,563)	\$ 761,152
Developed technology	202,772	(46,529)	156,243	202,772	(16,435)	186,337
Trade name	101,000	(10,906)	90,094	101,000	(3,406)	97,594
Other	12,260	(2,683)	9,577	7,345	(731)	6,614
Intangible assets, net	<u>\$ 1,101,087</u>	<u>\$ (138,492)</u>	<u>\$ 962,595</u>	<u>\$ 1,097,832</u>	<u>\$ (46,135)</u>	<u>\$ 1,051,697</u>

Amortization expense on intangible assets of approximately \$31.1 million and \$10.1 million was recorded for the three months ended September 30, 2024 and 2023, respectively. Amortization expense on intangible assets of approximately \$92.4 million and \$10.9 million was recorded for the nine months ended September 30, 2024 and 2023, respectively.

## 8. Accrued Liabilities

Accrued liabilities consisted of the following at September 30, 2024 and December 31, 2023 (in thousands):

	September 30, 2024	December 31, 2023
Salaries, wages, payroll taxes and benefits	\$ 103,745	\$ 129,982
Workers' compensation liability	73,385	67,396
Property, sales, use and other taxes	68,419	62,194
Insurance, other than workers' compensation	11,842	11,524
Accrued interest payable	10,724	19,172
Deferred revenue	13,307	98,914
Federal and state income taxes payable	—	3,437
Accrued merger and integration expense	7,275	15,113
Other	38,097	38,536
Accrued liabilities	<u>\$ 326,794</u>	<u>\$ 446,268</u>

## 9. Long-Term Debt

Long-term debt consisted of the following at September 30, 2024 and December 31, 2023 (in thousands):

	September 30, 2024	December 31, 2023
3.95% Senior Notes Due 2028	\$ 482,505	\$ 482,505
5.15% Senior Notes Due 2029	344,895	344,895
7.15% Senior Notes Due 2033	400,000	400,000
Equipment Loans Due 2025	9,530	18,686
	<u>1,236,930</u>	<u>1,246,086</u>
Less deferred financing costs and discounts	(7,956)	(8,919)
Less current portion	(9,513)	(12,226)
Total	<u>\$ 1,219,461</u>	<u>\$ 1,224,941</u>

*Credit Agreement* — On April 5, 2024, we entered into a Commitment Increase Agreement (the “Commitment Increase Agreement”), which increased the commitments under our Amended and Restated Credit Agreement, dated as of March 27, 2018 (as modified by the Commitment Increase Agreement and amended to date, the “Credit Agreement”), by and among us, as borrower, Wells Fargo Bank, National Association, as administrative agent, letter of credit issuer, swing line lender and lender and each of the other letter of credit issuers and lenders party thereto.

The Commitment Increase Agreement increased the commitments under our Credit Agreement to \$615 million. The maturity date for \$567 million of such commitments is March 27, 2026; and the maturity date for \$48.3 million of such commitments is March 27, 2025.

On August 29, 2023, we entered into Amendment No. 4 to Amended and Restated Credit Agreement (the “Credit Agreement Amendment”), which, among other things, extended the maturity date for \$85.0 million of revolving credit commitments of certain lenders under the Credit Agreement from March 27, 2025 to March 27, 2026.

The Credit Agreement is a committed senior unsecured revolving credit facility that permits aggregate borrowings of up to \$615 million, including a letter of credit facility that, at any time outstanding, is limited to \$100 million and a swing line facility that, at any time outstanding, is limited to the lesser of \$50.0 million and the amount of the swing line provider’s unused commitment.

Loans under the Credit Agreement bear interest by reference, at our election, to the SOFR rate (subject to a 0.10% per annum adjustment) or base rate, in each case subject to a 0% floor. The applicable margin on SOFR rate loans varies from 1.00% to 2.00% and the applicable margin on base rate loans varies from 0.00% to 1.00%, in each case determined based on our credit rating. As of September 30, 2024, the applicable margin on SOFR rate loans was 1.75% and the applicable margin on base rate loans was 0.75%. A letter of credit fee is payable by us equal to the applicable margin for SOFR rate loans times the daily amount available to be drawn under outstanding letters of credit. The commitment fee rate payable to the lenders varies from 0.10% to 0.30% based on our credit rating.

None of our subsidiaries are currently required to be a guarantor under the Credit Agreement. However, if any subsidiary guarantees or incurs debt, which does not qualify for certain limited exceptions and is otherwise, in the aggregate with all other similar debt, in excess of Priority Debt (as defined in the Credit Agreement), such subsidiary is required to become a guarantor under the Credit Agreement.

The Credit Agreement contains representations, warranties, affirmative and negative covenants and events of default and associated remedies that we believe are customary for agreements of this nature, including certain restrictions on our ability and the ability of each of our subsidiaries to grant liens and on the ability of each of our non-guarantor subsidiaries to incur debt. If our credit rating is below investment grade at both Moody’s and S&P, we will become subject to a restricted payment covenant, which would generally require us to have a Pro Forma Debt Service Coverage Ratio (as defined in the Credit Agreement) greater than or equal to 1.50 to 1.00 immediately before and immediately after making any restricted payment. Restricted payments include, among other things, dividend payments, repurchases of our common stock, distributions to holders of our common stock or any other payment or other distribution to third parties on account of our or our subsidiaries’ equity interests. Our credit rating is currently investment grade at both credit rating agencies. The Credit Agreement also requires that our total debt to capitalization ratio, expressed as a percentage, not exceed 50% as of the last day of each fiscal quarter. The Credit Agreement generally defines the total debt to capitalization ratio as the ratio of (a) total borrowed money indebtedness to (b) the sum of such indebtedness plus consolidated net worth, with consolidated net worth determined as of the end of the most recently ended fiscal quarter. We were in compliance with these covenants at September 30, 2024.

As of September 30, 2024, we had no borrowings outstanding under our revolving credit facility. We had \$2.1 million in letters of credit outstanding under the Credit Agreement at September 30, 2024 and, as a result, had available borrowing capacity of approximately \$613 million at that date.

*2015 Reimbursement Agreement* — On March 16, 2015, we entered into a Reimbursement Agreement (the “Reimbursement Agreement”) with The Bank of Nova Scotia (“Scotiabank”), pursuant to which we may from time to time request that Scotiabank issue an unspecified amount of letters of credit. As of September 30, 2024, we had \$35.9 million in letters of credit outstanding under the Reimbursement Agreement.

Under the terms of the Reimbursement Agreement, we will reimburse Scotiabank on demand for any amounts that Scotiabank has disbursed under any of our letters of credit issued thereunder. Fees, charges and other reasonable expenses for the issuance of letters of credit are payable by us at the time of issuance at such rates and amounts as are in accordance with Scotiabank’s prevailing practice. We are obligated to pay to Scotiabank interest on all amounts not paid by us on the date of demand or when otherwise due at the LIBOR rate plus 2.25% per annum, calculated daily and payable monthly, in arrears, on the basis of a calendar year for the actual number of days elapsed, with interest on overdue interest at the same rate as on the reimbursement amounts. A letter of credit fee is payable by us equal to 1.50% times the amount of outstanding letters of credit.

We have also agreed that if obligations under the Credit Agreement are secured by liens on any of our or our subsidiaries’ property, then our reimbursement obligations and (to the extent similar obligations would be secured under the Credit Agreement) other obligations under the Reimbursement Agreement and any letters of credit will be equally and ratably secured by all property subject to such liens securing the Credit Agreement.

Pursuant to a Continuing Guaranty dated as of March 16, 2015, our payment obligations under the Reimbursement Agreement are jointly and severally guaranteed as to payment and not as to collection by our subsidiaries that from time to time guarantee payment under the Credit Agreement. None of our subsidiaries are currently required to guarantee payment under the Credit Agreement.

*2028 Senior Notes, 2029 Senior Notes and 2033 Senior Notes* — On January 19, 2018, we completed an offering of \$525 million in aggregate principal amount of our 3.95% Senior Notes due 2028 (the “2028 Notes”). On November 15, 2019, we completed an offering of \$350 million in aggregate principal amount of our 5.15% Senior Notes due 2029 (the “2029 Notes”). On September 13, 2023, we completed an offering of \$400 million in aggregate principal amount of our 7.15% Senior Notes due 2033 (the “2033 Notes”). The net proceeds before offering expenses from the offering of the 2033 Notes were approximately \$396 million, which we used to repay amounts outstanding under our revolving credit facility.

We pay interest on the 2028 Notes on February 1 and August 1 of each year. The 2028 Notes will mature on February 1, 2028. The 2028 Notes bear interest at a rate of 3.95% per annum.

We pay interest on the 2029 Notes on May 15 and November 15 of each year. The 2029 Notes will mature on November 15, 2029. The 2029 Notes bear interest at a rate of 5.15% per annum.

We pay interest on the 2033 Notes on April 1 and October 1 of each year. The 2033 Notes will mature on October 1, 2033. The 2033 Notes bear interest at a rate of 7.15% per annum.

The 2028 Notes, 2029 Notes and 2033 Notes (together, the “Senior Notes”) are our senior unsecured obligations, which rank equally with all of our other existing and future senior unsecured debt and will rank senior in right of payment to all of our other future subordinated debt. The Senior Notes will be effectively subordinated to any of our future secured debt to the extent of the value of the assets securing such debt. In addition, the Senior Notes will be structurally subordinated to the liabilities (including trade payables) of our subsidiaries that do not guarantee the Senior Notes. None of our subsidiaries are currently required to be a guarantor under the Senior Notes. If our subsidiaries guarantee the Senior Notes in the future, such guarantees (the “Guarantees”) will rank equally in right of payment with all of the guarantors’ future unsecured senior debt and senior in right of payment to all of the guarantors’ future subordinated debt. The Guarantees will be effectively subordinated to any of the guarantors’ future secured debt to the extent of the value of the assets securing such debt.

At our option, we may redeem the Senior Notes in whole or in part, at any time or from time to time at a redemption price equal to 100% of the principal amount of such Senior Notes to be redeemed, plus accrued and unpaid interest, if any, on those Senior Notes to the redemption date, plus a “make-whole” premium. Additionally, commencing on November 1, 2027, in the case of the 2028 Notes, on August 15, 2029, in the case of the 2029 Notes, and on July 1, 2033, in the case of the 2033 Notes, at our option, we may redeem the respective Senior Notes in whole or in part, at a redemption price equal to 100% of the principal amount of the Senior Notes to be redeemed, plus accrued and unpaid interest, if any, on those Senior Notes to the applicable redemption date.

The indentures pursuant to which the Senior Notes were issued include covenants that, among other things, limit our and our subsidiaries' ability to incur certain liens, engage in sale and lease-back transactions or consolidate, merge, or transfer all or substantially all of their assets. These covenants are subject to important qualifications and limitations set forth in the indentures.

Upon the occurrence of a change of control triggering event, as defined in the indentures, each holder of the Senior Notes may require us to purchase all or a portion of such holder's Senior Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to, but excluding, the applicable repurchase date.

The indentures also provide for events of default which, if any of them occurs, would permit or require the principal of, premium, if any, and accrued interest, if any, on the Senior Notes to become or to be declared due and payable.

*Equipment Loans* — As part of the NexTier merger, we assumed the obligations of NexTier Completions Solutions Inc. (“NCS”) under a Master Loan and Security Agreement (as amended, the “Master Agreement”) with Caterpillar Financial Services Corporation. The Master Agreement allows NCS to enter into secured equipment financing term loans from time to time (the “Equipment Loans”). The Equipment Loans may be drawn in multiple tranches, with each loan evidenced by a separate promissory note. The Master Agreement and the Equipment Loans contain customary affirmative and negative covenants, including limitations on further encumbrance of the collateral other than the applicable loans under the Master Agreement. We were in compliance with these covenants at September 30, 2024. The Equipment Loans bear interest at a rate of 5.25% per annum, and we pay interest on the 1<sup>st</sup> of each month. The Equipment Loans will mature on June 1, 2025.

Presented below is a schedule of the principal repayment requirements of long-term debt by fiscal year as of September 30, 2024 (in thousands):

Year ending December 31,		
2024	\$	3,135
2025		6,395
2026		—
2027		—
2028		482,505
2029		344,895
Thereafter		400,000
Total	\$	<u>1,236,930</u>

## 10. Commitments and Contingencies

As of September 30, 2024, we maintained letters of credit in the aggregate amount of \$40.0 million primarily for the benefit of various insurance companies as collateral for retrospective premiums and retained losses that could become payable under the terms of the underlying insurance contracts and compliance with contractual obligations. These letters of credit expire annually at various times during the year and are typically renewed. As of September 30, 2024, no amounts had been drawn under the letters of credit. As of September 30, 2024, we had \$35.0 million in surety bond exposure issued as financial assurance on an insurance agreement.

As of September 30, 2024, we had commitments to purchase major equipment totaling approximately \$67.2 million.

Our completion services segment has entered into agreements to purchase minimum quantities of proppants from certain vendors. As of September 30, 2024, the remaining minimum obligation under these agreements was approximately \$21.5 million, of which approximately \$4.8 million, \$14.3 million, and \$2.4 million relate to the remainder of 2024, 2025 and 2026, respectively.

We are party to various legal proceedings arising in the normal course of our business. We do not believe that the outcome of these proceedings, either individually or in the aggregate, will have a material adverse effect on our financial condition, cash flows or results of operations.

## 11. Stockholders' Equity

*Cash Dividend* — On October 23, 2024, our Board of Directors approved a cash dividend on our common stock in the amount of \$0.08 per share to be paid on December 16, 2024 to holders of record as of December 2, 2024. The amount and timing of all future dividend payments, if any, are subject to the discretion of the Board of Directors and will depend upon business conditions, results of operations, financial condition, terms of our debt agreements and other factors. Our Board of Directors may, without advance notice,

reduce or suspend our dividend to improve our financial flexibility and position our company for long-term success. There can be no assurance that we will pay a dividend in the future.

*Share Repurchases and Acquisitions* — In September 2013, our Board of Directors approved a stock buyback program. In February 2024, our Board of Directors approved an increase of the authorization under the stock buyback program to allow for an aggregate of \$1.0 billion of future share repurchases. All purchases executed to date have been through open market transactions. Purchases under the buyback program are made at management's discretion, at prevailing prices, subject to market conditions and other factors. Purchases may be made at any time without prior notice. There is no expiration date associated with the buyback program. As of September 30, 2024, we had remaining authorization to purchase approximately \$780 million of our outstanding common stock under the stock buyback program. Shares of stock purchased under the buyback program are held as treasury shares.

Treasury stock acquisitions during the nine months ended September 30, 2024 were as follows (dollars in thousands):

	Shares	Cost
Treasury shares at January 1, 2024	105,580,011	\$ 1,657,675
Purchases pursuant to stock buyback program	24,020,777	259,247
Acquisitions pursuant to long-term incentive plans	1,202,720	12,977
Treasury shares at September 30, 2024	<u>130,803,508</u>	<u>\$ 1,929,899</u>

## 12. Stock-based Compensation

We use share-based payments to compensate employees and non-employee directors. We recognize the cost of share-based payments under the fair-value-based method. Share-based awards include equity instruments in the form of stock options or restricted stock units that have included service conditions and, in certain cases, performance conditions. Our share-based awards also include share-settled performance unit awards. Share-settled performance unit awards are accounted for as equity awards. We issue shares of common stock when vested stock options are exercised and after restricted stock units and share-settled performance unit awards vest.

*Stock Options* — We estimate the grant date fair values of stock options using the Black-Scholes-Merton valuation model. Volatility assumptions are based on the historic volatility of our common stock over the most recent period equal to the expected term of the options as of the date such options are granted. The expected term assumptions are based on our experience with respect to employee stock option activity. Dividend yield assumptions are based on the expected dividends at the time the options are granted. The risk-free interest rate assumptions are determined by reference to United States Treasury yields. No options were granted during the nine months ended September 30, 2024 or 2023.

Stock option activity from January 1, 2024 to September 30, 2024 follows:

	Underlying Shares	Weighted Average Exercise Price Per Share
Outstanding at January 1, 2024	2,865,223	\$ 23.36
Exercised	—	\$ —
Expired	<u>(1,031,218)</u>	\$ 25.52
Outstanding at September 30, 2024	<u>1,834,005</u>	\$ 22.14
Exercisable at September 30, 2024	1,834,005	\$ 22.14

*Restricted Stock Units (Equity Based)* — For all restricted stock unit awards made to date, shares of common stock are not issued until the units vest. Restricted stock units are subject to forfeiture for failure to fulfill service conditions and, in certain cases, performance conditions. Forfeitable dividend equivalents are accrued on certain restricted stock units that will be paid upon vesting. We use the straight-line method to recognize periodic compensation cost over the vesting period.

Restricted stock unit activity from January 1, 2024 to September 30, 2024 follows:

	Time Based	Performance Based	Weighted Average Grant Date Fair Value Per Share
Non-vested restricted stock units outstanding at January 1, 2024	5,827,668	521,533	\$ 10.60
Granted	3,101,421	—	\$ 10.50
Vested	(3,220,826)	(27,640)	\$ 9.09
Forfeited	(189,134)	—	\$ 11.46
Non-vested restricted stock units outstanding at September 30, 2024	<u>5,519,129</u>	<u>493,893</u>	<u>\$ 11.34</u>

As of September 30, 2024, we had unrecognized compensation cost related to our unvested restricted stock units totaling \$52.5 million. The weighted-average remaining vesting period for these unvested restricted stock units was 1.96 years as of September 30, 2024.

*Restricted Stock Units (Liability Based)* — We converted NexTier’s cash-settled performance based units into our cash-settled restricted stock units in connection with the NexTier merger. These awards are accounted for as liability classified awards and remeasured at fair value at each reporting period. Compensation expense is recorded over the vesting period and is initially based on the fair value at the award conversion date. Compensation expense is subsequently remeasured at each reporting date during the vesting period based on the change in our stock price. Dividend cash equivalents are not paid on cash-settled units. As of September 30, 2024, \$3.6 million is included in “Accrued liabilities” in our unaudited condensed consolidated balance sheets for these awards.

*Performance Unit Awards* — We have granted share-settled performance unit awards to certain employees (the “Performance Units”) on an annual basis since 2010. The Performance Units provide for the recipients to receive shares of common stock upon the achievement of certain performance goals during a specified period established by the Compensation Committee. The performance period for the Performance Units is generally the three-year period commencing on April 1 of the year of grant, except as described below for the Performance Units granted in May 2024.

The performance goals for the Performance Units are tied to our total shareholder return for the performance period as compared to total shareholder return for a peer group determined by the Compensation Committee. For the performance units granted in April 2022, the peer group includes one market index. The performance goals are considered to be market conditions under the relevant accounting standards and the market conditions were factored into the determination of the fair value of the respective Performance Units. For the Performance Units granted in April 2022 and May 2023, the recipients will receive the target number of shares if our total shareholder return during the performance period, when compared to the peer group, is at the 55<sup>th</sup> percentile. If our total shareholder return during the performance period, when compared to the peer group, is at the 75<sup>th</sup> percentile or higher, then the recipients will receive two times the target number of shares. If our total shareholder return during the performance period, when compared to the peer group, is at the 25<sup>th</sup> percentile, then the recipients will only receive one-half of the target number of shares. If our total shareholder return during the performance period, when compared to the peer group, is between the 25<sup>th</sup> and 55<sup>th</sup> percentile, or the 55<sup>th</sup> and 75<sup>th</sup> percentile, then the shares to be received by the recipients will be determined using linear interpolation for levels of achievement between these points.

The Performance Units granted in May 2024 are subject to three separate performance periods—a one-year performance period (the “First Performance Period”), a two-year performance period (the “Second Performance Period”) and a three-year performance period (the “Third Performance Period”), each commencing on April 1 of the year of grant. One-third of the total target number of shares subject to the May 2024 Performance Units may become earned in respect of each performance period based on our total shareholder return during such performance period (the target number of shares eligible to vest in the applicable performance period, the “Performance Period Target Amount”). The recipients will earn the Performance Period Target Amount if our total shareholder return during the applicable performance period, when compared to the peer group, is at the 55<sup>th</sup> percentile. If our total shareholder return during the applicable performance period, when compared to the peer group, is at the 75<sup>th</sup> percentile or higher, then the recipients will earn two times the Performance Period Target Amount. If our total shareholder return during the applicable performance period, when compared to the peer group, is at the 25<sup>th</sup> percentile, then the recipients will only earn one-half of the Performance Period Target Amount. If our total shareholder return during the applicable performance period, when compared to the peer group, is between the 25<sup>th</sup> and 55<sup>th</sup> percentile, or the 55<sup>th</sup> and 75<sup>th</sup> percentile, then the shares to be earned by the recipients will be determined using linear interpolation for levels of achievement between these points. Notwithstanding the foregoing, a number of shares no greater than the Performance Period Target Amount may be earned for each of the First Performance Period and the Second Performance Period, unless our total shareholder return during the Third Performance Period is greater than our total shareholder return for, as applicable, the First Performance Period and/or the Second Performance Period, in which case, the number

of shares earned in respect of the First Performance and/or the Second Performance Period, as applicable, will be determined as if our total shareholder return during the Third Performance Period was our total shareholder return during the First Performance Period and/or the Second Performance Period, as applicable. If our total shareholder return during the Third Performance Period is zero or negative, no more than the aggregate target number of shares subject to the May 2024 Performance Units may be earned, regardless of results during the First Performance Period and the Second Performance Period. A full three-year vesting period applies to the Performance Units and no shares will vest and be delivered in respect of the May 2024 Performance Units until after the completion of the Third Performance Period.

The payout under the Performance Units may not exceed the target number of shares if our absolute total shareholder return is negative or zero.

The total target number of shares granted with respect to the Performance Units for the awards granted in 2020-2024 is set forth below:

	2024 Performance Unit Awards	2023 Performance Unit Awards	2022 Performance Unit Awards	2021 Performance Unit Awards	2020 Performance Unit Awards
Target number of shares	875,100	631,700	414,000	843,000	500,500

In May 2023, 1,001,000 shares were issued to settle the 2020 Performance Units. In May 2024, 718,581 shares were issued to settle the 2021 Performance Units. The Performance Units granted in 2022, 2023 and 2024 have not reached the end of their respective performance periods.

Because the Performance Units are share-settled awards, they are accounted for as equity awards and measured at fair value on the date of grant using a Monte Carlo simulation model. The fair value of the Performance Units is set forth below (in thousands):

	2024 Performance Unit Awards	2023 Performance Unit Awards	2022 Performance Unit Awards	2021 Performance Unit Awards	2020 Performance Unit Awards
Aggregate fair value at date of grant	\$ 10,904	\$ 8,440	\$ 10,743	\$ 7,225	\$ 826

These fair value amounts are charged to expense on a straight-line basis over the performance period. Compensation expense associated with the Performance Units is shown below (in thousands):

	2024 Performance Unit Awards	2023 Performance Unit Awards	2022 Performance Unit Awards	2021 Performance Unit Awards	2020 Performance Unit Awards
Three months ended September 30, 2024	\$ 912	\$ 670	\$ 866	N/A	N/A
Three months ended September 30, 2023	N/A	\$ 903	\$ 990	\$ 617	N/A
Nine months ended September 30, 2024	\$ 1,518	\$ 1,997	\$ 2,590	\$ 584	N/A
Nine months ended September 30, 2023	N/A	\$ 1,372	\$ 2,781	\$ 1,821	\$ 69

As of September 30, 2024, we had unrecognized compensation cost related to our unvested Performance Units totaling \$15.3 million. The weighted-average remaining vesting period for these unvested Performance Units was 1.29 years as of September 30, 2024.

### 13. Income Taxes

Our effective income tax rate fluctuates from the U.S. statutory tax rate based on, among other factors, changes in pretax income in jurisdictions with varying statutory tax rates, the impact of U.S. state and local taxes, the realizability of deferred tax assets and other differences related to the recognition of income and expense between GAAP and tax accounting.

Our effective income tax rate for the three months ended September 30, 2024 was 3.0%, compared with 93.7% for the three months ended September 30, 2023. The difference in effective income tax rates between the periods was primarily attributable to the impact of valuation allowances on deferred tax assets between periods, as well as the impact of permanent differences against earnings between periods.

Our effective income tax rate for the nine months ended September 30, 2024 was (0.8)%, compared with 13.9% for the nine months ended September 30, 2023. The difference in effective income tax rates between the periods was primarily attributable to the

impact of valuation allowances on deferred tax assets between periods, as well as the impact of permanent differences against earnings between periods.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized, and when necessary, valuation allowances are provided. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. We assess the realizability of our deferred tax assets quarterly and consider carryback availability, the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

We continue to monitor income tax developments in the United States and other countries where we have legal entities. We will incorporate into our future financial statements the impacts, if any, of future regulations and additional authoritative guidance when finalized.

#### 14. Earnings Per Share

We provide a dual presentation of our net income (loss) per common share in our unaudited condensed consolidated statements of operations: basic net income (loss) per common share (“Basic EPS”) and diluted net income (loss) per common share (“Diluted EPS”).

Basic EPS excludes dilution and is determined by dividing the earnings attributable to common stockholders by the weighted average number of common shares outstanding during the period.

Diluted EPS is based on the weighted average number of common shares outstanding plus the dilutive effect of potential common shares, including stock options and non-vested performance units and non-vested restricted stock units. The dilutive effect of stock options, non-vested performance units and non-vested restricted stock units is determined using the treasury stock method.

The following table presents information necessary to calculate net income per share for the three and nine months ended September 30, 2024 and 2023 as well as potentially dilutive securities excluded from the weighted average number of diluted common shares outstanding because their inclusion would have been anti-dilutive (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>BASIC EPS:</b>				
Net income (loss) attributable to common stockholders	\$ (978,761)	\$ 50	\$ (916,449)	\$ 184,342
Weighted average number of common shares outstanding, excluding non-vested restricted stock units	391,732	280,218	399,795	233,631
Basic net income (loss) per common share	\$ (2.50)	\$ 0.00	\$ (2.29)	\$ 0.79
<b>DILUTED EPS:</b>				
Net income (loss) attributable to common stockholders	\$ (978,761)	\$ 50	\$ (916,449)	\$ 184,342
Weighted average number of common shares outstanding, excluding non-vested restricted stock units	391,732	281,984	399,795	234,488
Diluted net income (loss) per common share	\$ (2.50)	\$ 0.00	\$ (2.29)	\$ 0.79
Potentially dilutive securities excluded as anti-dilutive	7,847	3,268	7,847	10,351



## 15. Business Segments

Effective as of the third quarter of 2023, we revised our reportable segments to align with certain changes in how our Chief Operating Decision Maker (“CODM”) manages and allocates resources to our business as a result of the Ulterra acquisition and NexTier merger. We now have the following reportable business segments: (i) drilling services, (ii) completion services, and (iii) drilling products. Our results for the three and nine months ended September 30, 2024 are not comparable for our Completion Services and Drilling Products reportable segments since results for 2023 include a partial period beginning on the closing date for each acquisition.

Drilling Services — represents our contract drilling, directional drilling, oilfield technology and electrical controls and automation businesses.

Completion Services — represents the combination of our well completion business, which includes hydraulic fracturing, wireline and pumping, completion support, cementing and our legacy pressure pumping business.

Drilling Products — represents our manufacturing and distribution of drill bits business, which was acquired with our acquisition of Ulterra on August 14, 2023.

The following tables summarize selected financial information relating to our business segments (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Revenues:</b>				
Drilling Services	\$ 437,835	\$ 503,767	\$ 1,369,275	\$ 1,496,520
Completion Services	831,567	459,574	2,581,937	1,003,083
Drilling Products	89,102	46,570	265,129	46,570
Other <sup>(1)</sup>	18,020	17,501	56,254	59,393
Elimination of intercompany revenues – Drilling Services <sup>(2)</sup>	(16,272)	(14,992)	(49,850)	(40,359)
Elimination of intercompany revenues – Other <sup>(2)</sup>	(3,030)	(968)	(6,969)	(3,068)
<b>Total revenues</b>	<b>\$ 1,357,222</b>	<b>\$ 1,011,452</b>	<b>\$ 4,215,776</b>	<b>\$ 2,562,139</b>
<b>Segment operating income (loss) <sup>(3)</sup> and reconciliation to income (loss) before income taxes:</b>				
Drilling Services	\$ (34,395)	\$ 114,737	\$ 131,329	\$ 329,322
Completion Services	(908,665)	162	(848,311)	69,898
Drilling Products	9,136	(6,240)	24,275	(6,240)
<b>Total segment operating income (loss) <sup>(3)</sup></b>	<b>(933,924)</b>	<b>108,659</b>	<b>(692,707)</b>	<b>392,980</b>
Other	(3,573)	435	(2,152)	1,811
Corporate	(53,132)	(99,390)	(163,543)	(154,542)
Interest income	745	2,131	4,801	4,583
Interest expense	(17,990)	(15,625)	(54,238)	(34,189)
Other income (expense)	(716)	(618)	358	3,191
<b>Income (loss) before income taxes</b>	<b>\$ (1,008,590)</b>	<b>\$ (4,408)</b>	<b>\$ (907,481)</b>	<b>\$ 213,834</b>
<b>Depreciation, depletion, amortization and impairment:</b>				
Drilling Services	\$ 201,272	\$ 90,668	\$ 392,224	\$ 272,361
Completion Services	140,930	83,338	428,303	135,339
Drilling Products	22,924	17,075	73,282	17,075
Other	8,330	5,319	19,253	21,946
Corporate	1,224	1,235	4,212	5,908
<b>Total depreciation, depletion, amortization and impairment</b>	<b>\$ 374,680</b>	<b>\$ 197,635</b>	<b>\$ 917,274</b>	<b>\$ 452,629</b>
<b>Capital expenditures:</b>				
Drilling Services	\$ 69,127	\$ 89,242	\$ 210,346	\$ 261,155
Completion Services	86,755	56,464	258,860	107,529
Drilling Products	16,309	7,940	45,853	7,940
Other	5,909	5,972	18,919	18,387
Corporate	2,487	804	4,058	15,406
<b>Total capital expenditures</b>	<b>\$ 180,587</b>	<b>\$ 160,422</b>	<b>\$ 538,036</b>	<b>\$ 410,417</b>
<b>Identifiable assets:</b>				
Drilling Services			\$ 2,083,115	\$ 2,368,604
Completion Services			2,663,525	3,835,699
Drilling Products			979,834	1,011,870
Other			55,426	59,221
Corporate <sup>(4)</sup>			181,777	144,637
<b>Total assets</b>			<b>\$ 5,963,677</b>	<b>\$ 7,420,031</b>

<sup>(1)</sup> Other includes our oilfield rentals business and oil and natural gas working interests.

<sup>(2)</sup> Intercompany revenues consist of revenues from drilling services provided to our other operations, and revenues from other operations for services provided to drilling services, completion services and within other operations. These revenues are generally based on estimated external selling prices and are eliminated during consolidation.

<sup>(3)</sup> Segment operating income is our measure of segment profitability. It is defined as revenue less operating expenses, selling, general and administrative expenses, depreciation, amortization and impairment expenses and other operating income.

<sup>(4)</sup> Corporate assets primarily include cash on hand and certain property and equipment.

## 16. Fair Values of Financial Instruments

The carrying values of cash, cash equivalents and restricted cash, trade receivables and accounts payable approximate fair value due to the short-term maturity of these items. These fair value estimates are considered Level 1 fair value estimates in the fair value hierarchy of fair value accounting.

The estimated fair value of our outstanding debt balances as of September 30, 2024 and December 31, 2023 is set forth below (in thousands):

	September 30, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
3.95% Senior Notes Due 2028	\$ 482,505	\$ 464,637	\$ 482,505	\$ 450,540
5.15% Senior Notes Due 2029	344,895	340,909	344,895	329,032
7.15% Senior Notes Due 2033	400,000	431,159	400,000	424,946
Equipment Loans Due 2025	9,530	9,583	18,686	18,766
<b>Total debt</b>	<b>\$ 1,236,930</b>	<b>\$ 1,246,288</b>	<b>\$ 1,246,086</b>	<b>\$ 1,223,284</b>

The fair values of the 2028 Notes, the 2029 Notes and the 2033 Notes at September 30, 2024 and December 31, 2023 are based on quoted market prices, which are considered Level 1 fair value estimates in the fair value hierarchy of fair value accounting. The fair value of the Equipment Loans is based on a 5.25% stated rate of interest, which is considered a Level 2 fair value estimate in the fair value hierarchy of fair value accounting.

The implied market rates of interest used to determine the fair value of our outstanding debt balances as of September 30, 2024 and December 31, 2023 are set forth below:

	September 30, 2024	December 31, 2023
3.95% Senior Notes Due 2028	5.17 %	5.79 %
5.15% Senior Notes Due 2029	5.40 %	6.10 %
7.15% Senior Notes Due 2033	6.01 %	6.28 %
Equipment Loans Due 2025	4.93 %	5.36 %

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “Report”) and other public filings, press releases and presentations by us contain “forward-looking statements” within the meaning of the Securities Act of 1933, as amended (the “Securities Act”), the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995, as amended. As used in this Report, “we,” “us,” “our,” “ours” and like terms refer collectively to Patterson-UTI Energy, Inc. and its consolidated subsidiaries. Patterson-UTI Energy, Inc. conducts its operations through its wholly-owned subsidiaries and has no employees or independent business operations. These “forward-looking statements” involve risk and uncertainty. These forward-looking statements include, without limitation, statements relating to: liquidity; revenue, cost and margin expectations and backlog; financing of operations; oil and natural gas prices; rig counts and frac spreads; source and sufficiency of funds required for building new equipment, upgrading existing equipment and acquisitions (if opportunities arise); demand and pricing for our services; competition; equipment availability; government regulation; legal proceedings; debt service obligations; impact of inflation and economic downturns; and other matters. Our forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and often use words such as “anticipate,” “believe,” “budgeted,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “potential,” “project,” “pursue,” “should,” “strategy,” “target,” or “will,” or the negative thereof and other words and expressions of similar meaning. The forward-looking statements are based on certain assumptions and analyses we make in light of our experience and our perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate in the circumstances.

Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from actual future results expressed or implied by the forward-looking statements. These risks and uncertainties relate to:

- the successful integration and expected benefits of the merger (the “NexTier merger”) with NexTier Oilfield Solutions Inc. (“NexTier”) and the acquisition (the “Ulterra acquisition”) of Ulterra Drilling Technologies, L.P. (“Ulterra”) on our financial condition, results of operations, strategy and plans and our ability to realize those benefits;
- synergies, costs and financial and operating impacts of acquisitions, including the NexTier merger and the Ulterra acquisition;
- the future financial and operating results of the combined company;
- the combined company’s plans, objectives, expectations and intentions with respect to future operations and services;
- adverse oil and natural gas industry conditions, including the impact of commodity price volatility on industry outlook;
- global economic conditions, including inflationary pressures and risks of economic downturns or recessions in the United States and elsewhere;
- volatility in customer spending and in oil and natural gas prices that could adversely affect demand for our services and their associated effect on rates;
- excess supply of drilling and completions equipment, including as a result of reactivation, improvement or construction;
- competition and demand for our services;
- the impact of the ongoing Ukraine/Russia and Middle East conflicts and instability in other international regions;
- strength and financial resources of competitors;
- utilization, margins and planned capital expenditures;
- ability to obtain insurance coverage on commercially reasonable terms and liabilities from operational risks for which we do not have and receive full indemnification or insurance;
- operating hazards attendant to the oil and natural gas business;
- failure by customers to pay or satisfy their contractual obligations (particularly with respect to fixed-term contracts);
- the ability to realize backlog;
- specialization of methods, equipment and services and new technologies, including the ability to develop and obtain satisfactory returns from new technology and the risk of obsolescence of existing technologies;
- the ability to attract and retain management and field personnel;
- loss of key customers;
- shortages, delays in delivery, and interruptions in supply, of equipment and materials;

- cybersecurity events;
- difficulty in building and deploying new equipment;
- governmental regulation, including climate legislation, regulation and other related risks;
- environmental, social and governance practices, including the perception thereof;
- environmental risks and ability to satisfy future environmental costs;
- technology-related disputes;
- legal proceedings and actions by governmental or other regulatory agencies;
- the ability to effectively identify and enter new markets;
- public health crises, pandemics and epidemics;
- weather;
- operating costs;
- expansion and development trends of the oil and natural gas industry;
- financial flexibility, including availability of capital and the ability to repay indebtedness when due;
- adverse credit and equity market conditions;
- our return of capital to stockholders, including timing and amounts (including any plans or commitments in respect thereof) of any dividends and share repurchases;
- stock price volatility;
- compliance with covenants under our debt agreements; and
- other financial, operational and legal risks and uncertainties detailed from time to time in our filings with the SEC.

We caution that the foregoing list of factors is not exhaustive. Additional information concerning these and other risk factors is contained elsewhere in this Report and in our Annual Report on Form 10-K for the year ended December 31, 2023 (our “Annual Report”) and may be contained in our future filings with the SEC. You are cautioned not to place undue reliance on any of our forward-looking statements. The forward-looking statements speak only as of the date made and, other than as required by law, we undertake no obligation to update publicly or revise any of these forward-looking statements, whether as a result of new information, future events or otherwise. In the event that we update any forward-looking statement, no inference should be made that we will make additional updates with respect to that statement, related matters or any other forward-looking statements. All subsequent written and oral forward-looking statements concerning us or other matters and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements above.

## ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*Management Overview* — We are a Houston, Texas-based leading provider of drilling and completion services to oil and natural gas exploration and production companies in the United States and other select countries, including contract drilling services, integrated well completion services and directional drilling services in the United States, and specialized drill bit solutions in the United States, Middle East and many other regions around the world. We operate under three reportable business segments: (i) drilling services, (ii) completion services, and (iii) drilling products.

### Drilling Services

Our contract drilling business operates in the continental United States and internationally in South America and, from time to time, we pursue contract drilling opportunities in other select markets. We also provide a comprehensive suite of directional drilling services in most major producing onshore oil and natural gas basins in the United States, and we provide services that improve the statistical accuracy of wellbore placement for directional and horizontal wells. We also service and re-certify equipment for drilling contractors, and we provide electrical controls and automation to the energy, marine and mining industries, in North America and other select markets.

As of September 30, 2024, we had 152 marketed land-based drilling rigs based in the following regions:

Region	Number of Rigs
West Texas	70
Appalachia	22
Oklahoma	16
Rockies	14
South Texas	11
East Texas	11
South America	8
Total	152

We have addressed our customers' needs for drilling horizontal wells in shale and other unconventional resource plays by improving the capabilities of our drilling fleet. The U.S. land rig industry has in recent years referred to certain high specification rigs as "super-spec" rigs, which we consider to be at least a 1,500 horsepower, AC-powered rig that has at least a 750,000-pound hookload, a 7,500-psi circulating system, and is pad-capable. Due to evolving customer preferences, we refer to certain premium rigs as "Tier-1, super spec" rigs, which we consider as being a super-spec rig that also has a third mud pump and raised drawworks that allows for more clearance underneath the rig floor. As of September 30, 2024, our rig fleet included 134 Tier-1, super-spec rigs.

### Completion Services

Our well completion services business consists of services for hydraulic fracturing, wireline and pumping, completion support, and cementing. It also includes our power solutions natural gas fueling business and our proppant last mile logistics and storage business. Our completion services business operates in several of the most active basins in the continental United States including the Permian, the Marcellus Shale/Utica, the Eagle Ford, Mid-Continental, Haynesville, and the Bakken/Rockies.

### Drilling Products

We serve the energy and mining markets by manufacturing and distributing drill bits through North America and internationally in over 30 countries. Our drilling equipment is used in oil and natural gas exploration and production and in mining operations. We have manufacturing and repair facilities located in Fort Worth, Texas, Leduc, Alberta and Saudi Arabia and repair facilities located in Argentina, Colombia and Oman.

*Recent Developments in Market Conditions and Outlook* — Commodity price volatility in the second quarter of 2023 resulted in a decline in industry activity; commodity prices subsequently increased during the third quarter before declining in the fourth quarter of 2023. Oil prices increased during the first quarter of 2024, moderately fluctuated during the second quarter of 2024 and declined in the third quarter of 2024. While natural gas prices declined significantly during the first quarter of 2024, natural gas prices increased slightly during the second quarter of 2024 and moderately fluctuated during the third quarter of 2024. The current demand for equipment and services remains dependent on macro conditions, including commodity prices, geopolitical environment, inflationary pressures, economic conditions in the United States and elsewhere, as well as customer consolidation and focus by exploration and production companies and service companies on capital returns. Oil prices reached a low of \$66.73 per barrel and

averaged \$76.43 per barrel in the third quarter of 2024, as compared to \$81.81 per barrel in the second quarter of 2024. Natural gas prices (based on the Henry Hub Spot Market Price) averaged \$2.11 per MMBtu in the third quarter of 2024 as compared to an average of \$2.07 per MMBtu in the second quarter of 2024.

Our average active rig count in the United States for the third quarter of 2024 was 107 rigs. This was a decrease from our average active rig count for the second quarter of 2024 of 114. We expect our rig count in the United States will average approximately 106 rigs during the fourth quarter of 2024. Term contracts help support our operating rig count. Based on contracts in place in the United States as of October 23, 2024, we expect an average of 58 rigs operating under term contracts during the fourth quarter of 2024 and an average of 33 rigs operating under term contracts during the four quarters ending September 30, 2025.

We maintain a backlog of commitments for contract drilling services under term contracts, which we define as contracts with a duration of six months or more. Our contract drilling backlog in the United States as of September 30, 2024 was approximately \$401 million. Approximately 9% of our total contract drilling backlog in the United States at September 30, 2024 is reasonably expected to remain at September 30, 2025. See Note 3 of Notes to unaudited condensed consolidated financial statements for additional information on backlog.

In our Completion Services segment, during the fourth quarter, we expect a sequential slowdown in activity due to typical holiday seasonality and capital discipline being exercised by our customers into the end of the year.

In our Drilling Products segment for the fourth quarter, we expect a slight sequential increase in revenue and adjusted gross profit, driven by growth in our International operations, while U.S. revenue is expected to decline slightly on lower industry rig count.

For the fourth quarter of 2024, we expect total capital expenditures of approximately \$150 million.

Negative market indicators such as lower industry-wide drilling rig and pressure pumping fleet count forecasts, increased volatility and pricing declines in the pressure pumping market, and continued efficiency gains and technology advancements reducing operating days have led to a reduced outlook for activity. We viewed the reduction in activity forecasts combined with the recent decline in the market price of our common stock as a triggering event that warranted a quantitative assessment for goodwill impairment. As a result, we recorded an \$885 million impairment charge to goodwill for the completion services reporting unit during the third quarter of 2024. See Note 7 of Notes to unaudited condensed consolidated financial statements for additional information.

We also evaluated our fleet of drilling rigs for marketability based on the condition of inactive rigs, expenditures that would be necessary to bring them to working condition and the expected demand for drilling services by rig type. As a result of this evaluation, during the three months ended September 30, 2024, we identified 42 legacy, non-Tier-1 super-spec drilling rigs and related equipment to be abandoned. Based on the strong customer preference across the industry for Tier-1 super-spec drilling rigs, in addition to efficiency gains and technology advancements that have reduced the total number of rigs needed for the U.S. drilling market, we believe the 42 rigs that were abandoned had limited commercial opportunity. Accordingly, we recorded a \$114 million abandonment charge during the third quarter of 2024. See Note 6 of Notes to unaudited condensed consolidated financial statements for additional information.

Our net loss attributable to common shareholders for the three months ended September 30, 2024 was \$979 million or \$2.50 per common share. Excluding the \$885 million goodwill impairment, \$114 million asset abandonment charge, and \$7 million of merger and integration expenses net of income tax benefits totaling \$25.4 million, adjusted net income attributable to common shareholders for the three months ended September 30, 2024 was \$2 million or \$0.00 per common share. See Non-GAAP Financial Measures below for a reconciliation of GAAP net income (loss) attributable to common shareholders to adjusted net income attributable to common shareholders.

*Recent Developments in Joint Ventures and Business Combinations* — On September 30, 2024, one of our subsidiaries signed the previously announced joint venture agreement with subsidiaries of ADNOC Drilling and SLB. Our subsidiary will hold a 15 percent interest in a newly created company named Turnwell Industries, which has been awarded a contract to drill and complete 144 unconventional wells for ADNOC.

On September 1, 2023, we completed our merger (the “NexTier merger”) with NexTier Oilfield Solutions Inc. (“NexTier”). Each share of common stock of NexTier issued and outstanding immediately prior to the effective time (including outstanding restricted shares) was converted into the right to receive 0.752 shares of our common stock, which based on the closing price of our common stock of \$14.91 on September 1, 2023, valued the transaction at approximately \$2.8 billion, including the assumption of debt. NexTier is a predominately U.S. land-focused oilfield service provider, with a diverse set of well completion and production services across a variety of active basins.

On August 14, 2023, we completed our acquisition (the “Ulterra acquisition”) of Ulterra Drilling Technologies, L.P. (“Ulterra”). Total consideration for the acquisition included the issuance of 34.9 million shares of our common stock and payment of

approximately \$373 million of cash (after purchase price adjustments), which based on the closing price of our common stock of \$14.94 on August 14, 2023, valued the transaction at closing at approximately \$894 million. Ulterra is a global provider of specialized drill bit solutions.

*Recent Developments in Debt Financing* — On April 5, 2024, we entered into a Commitment Increase Agreement (the “Commitment Increase Agreement”), which increased the commitments under our Amended and Restated Credit Agreement, dated as of March 27, 2018 (as modified by the Commitment Increase Agreement and as amended to date, the “Credit Agreement”), by and among us, as borrower, Wells Fargo Bank, National Association, as administrative agent, letter of credit issuer, swing line lender and lender and each of the other letter of credit issuers and lenders party thereto.

The Commitment Increase Agreement increased the commitments under our Credit Agreement to \$615 million. The maturity date for \$567 million of such commitments is March 27, 2026; and the maturity date for \$48.3 million of such commitments is March 27, 2025.

As of September 30, 2024, we had no borrowings outstanding under our revolving credit facility. We had \$2.1 million in letters of credit outstanding under the Credit Agreement at September 30, 2024 and, as a result, had available borrowing capacity of approximately \$613 million at that date.

*Impact on our Business from Oil and Natural Gas Prices and Other Factors* — Our revenues, profitability and cash flows are highly dependent upon prevailing prices for oil and natural gas, expectations about future prices, and upon our customers’ ability to access, and willingness to deploy, capital to fund their operating and capital expenditures. During periods of improved oil and natural gas prices, the capital spending budgets of oil and natural gas operators tend to expand, which generally results in increased demand for our services. Conversely, in periods when oil and natural gas prices are relatively low or when our customers have a reduced ability to access, or willingness to deploy, capital, the demand for our services generally weakens, and we experience downward pressure on pricing for our services. Even during periods of historically moderate or high prices for oil and natural gas, companies exploring for oil and natural gas may cancel or curtail programs or reduce their levels of capital expenditures for exploration and production for a variety of reasons, which could reduce demand for our services. We may also be impacted by delayed customer payments and payment defaults associated with customer liquidity issues and bankruptcies.

The North American oil and natural gas services industry is cyclical and at times experiences downturns in demand. During these periods, there has been substantially more oil and natural gas service equipment available than necessary to meet demand. As a result, oil and natural gas service contractors have had difficulty sustaining profit margins and, at times, have incurred losses during the downturn periods. We cannot predict either the future level of demand for our oil and natural gas services or future conditions in the oil and natural gas service businesses.

In addition to the dependence on oil and natural gas prices and demand for our services, we are highly impacted by operational risks, competition, labor issues, weather, the availability, from time to time, of products used in our businesses, supplier delays and various other factors that could materially adversely affect our business, financial condition, cash flows and results of operations. Please see Item 1A of this Report and our Annual Report.

For the three months ended September 30, 2024 and June 30, 2024 and the nine months ended September 30, 2024 and 2023 our operating revenues consisted of the following (dollars in thousands):

	Three Months Ended				Nine Months Ended			
	September 30, 2024		June 30, 2024		September 30, 2024		September 30, 2023	
Drilling Services	\$ 421,563	31.1 %	\$ 440,289	32.7 %	\$ 1,319,425	31.3 %	\$ 1,456,161	56.8 %
Completion Services	831,567	61.3 %	805,373	59.7 %	2,581,937	61.2 %	1,003,083	39.2 %
Drilling Products	89,102	6.6 %	86,054	6.4 %	265,129	6.3 %	46,570	1.8 %
Other	14,990	1.0 %	16,478	1.2 %	49,285	1.2 %	56,325	2.2 %
	<u>\$ 1,357,222</u>	<u>100.0 %</u>	<u>\$ 1,348,194</u>	<u>100.0 %</u>	<u>\$ 4,215,776</u>	<u>100.0 %</u>	<u>\$ 2,562,139</u>	<u>100.0 %</u>

## Results of Operations

Effective as of the third quarter of 2023, we revised our reportable segments to align with certain changes in how our Chief Operating Decision Maker (“CODM”) manages and allocates resources to our business as a result of the Ulterra acquisition and



NexTier merger. We now have the following reportable business segments: (i) drilling services, (ii) completion services and (iii) drilling products.

The following tables summarize results of operations by business segment for the three months ended September 30, 2024 and June 30, 2024:

Drilling Services <sup>(1)</sup>	Three Months Ended		% Change Sequential
	September 30,	June 30,	
	2024	2024	
	(dollars in thousands)		
Revenues	\$ 421,563	\$ 440,289	(4.3)%
Direct operating costs	250,877	261,497	(4.1)%
Adjusted gross profit <sup>(2)</sup>	170,686	178,792	(4.5)%
Selling, general and administrative	3,809	4,073	(6.5)%
Depreciation, amortization and impairment	201,272	98,607	104.1 %
Operating income (loss)	\$ (34,395)	\$ 76,112	NA
Capital expenditures	\$ 69,127	\$ 58,426	18.3 %
Operating days – U.S. <sup>(3)</sup>	9,870	10,388	(5.0)%
Average revenue per operating day – U.S. <sup>(3)</sup>	\$ 36.04	\$ 36.43	(1.1)%
Average direct operating costs per operating day – U.S. <sup>(3)</sup>	\$ 19.90	\$ 20.23	(1.6)%
Average adjusted gross profit per operating day – U.S. <sup>(3)</sup>	\$ 16.14	\$ 16.19	(0.3)%

<sup>(1)</sup> Drilling services segment represents our contract drilling, directional drilling, oilfield technology and electrical controls and automation businesses.

<sup>(2)</sup> Adjusted gross profit is defined as revenues less direct operating costs (excluding depreciation, amortization and impairment expense). See Non-GAAP Financial Measures below for a reconciliation of GAAP gross profit to adjusted gross profit by segment.

<sup>(3)</sup> Operational data relates to our contract drilling business. A rig is considered to be operating if it is earning revenue pursuant to a contract on a given day.

Generally, the revenues in our drilling services segment are most impacted by two primary factors: day rates and our average number of rigs operating.

Total revenues and direct operating costs decreased primarily due to a decrease in operating days in our contract drilling business within the United States. Average revenue and average direct operating costs per operating day were relatively flat between sequential quarters.

The decrease in operating days for our U.S. contract drilling business reflects a modest reduction in our rig count mainly due to merger and acquisition activity for certain customers.

Depreciation, amortization and impairment increased primarily due to a charge of \$114 million related to the abandonment of 42 legacy, non-Tier-1 super-spec drilling rigs and related equipment. See Note 6 of Notes to unaudited condensed consolidated financial statements for additional information.

Capital expenditures increased primarily due to the timing of order placement and spending on committed deliveries that more heavily impacted the third quarter of 2024.

<b>Completion Services</b> <sup>(1)</sup>	<b>Three Months Ended</b>		<b>% Change Sequential</b>
	<b>September 30,</b>	<b>June 30,</b>	
	<b>2024</b>	<b>2024</b>	
	(dollars in thousands)		
Revenues	\$ 831,567	\$ 805,373	3.3 %
Direct operating costs	703,809	653,240	7.7 %
Adjusted gross profit <sup>(2)</sup>	127,758	152,133	(16.0)%
Selling, general and administrative	10,253	10,637	(3.6)%
Depreciation, amortization and impairment	140,930	138,693	1.6 %
Impairment of goodwill	885,240	—	NA
Other operating income, net	—	(7,922)	(100.0)%
Operating income (loss)	\$ (908,665)	\$ 10,725	NA
Capital expenditures	\$ 86,755	\$ 48,728	78.0 %

<sup>(1)</sup> Completion services represents the combination of well completion business from the NexTier merger and our legacy pressure pumping business.

<sup>(2)</sup> Adjusted gross profit is defined as revenues less direct operating costs (excluding depreciation, amortization and impairment expense). See Non-GAAP Financial Measures below for a reconciliation of GAAP gross profit to adjusted gross profit by segment.

Completion services direct operating costs increased disproportionately to the increase in revenues, which negatively impacted our adjusted gross profit. The higher direct operating costs resulted from unplanned gaps for several of our fleets, which impacted fixed cost leverage on those fleets.

During the three months ended September 30, 2024, we recorded an \$885 million impairment charge to goodwill associated with our completion services reporting unit. See Note 7 of Notes to unaudited condensed consolidated financial statements for additional information.

Other operating income, net in the second quarter of 2024 was due to gain on legal settlement.

Capital expenditures increased due to the timing of order placement and spending on committed deliveries.

<b>Drilling Products</b>	<b>Three Months Ended</b>		<b>% Change Sequential</b>
	<b>September 30,</b>	<b>June 30,</b>	
	<b>2024</b>	<b>2024</b>	
	(dollars in thousands)		
Revenues	\$ 89,102	\$ 86,054	3.5 %
Direct operating costs	47,144	46,147	2.2 %
Adjusted gross profit <sup>(1)</sup>	41,958	39,907	5.1 %
Selling, general and administrative	9,898	8,092	22.3 %
Depreciation, amortization and impairment	22,924	23,176	(1.1)%
Operating income	\$ 9,136	\$ 8,639	5.8 %
Capital expenditures	\$ 16,309	\$ 13,958	16.8 %

<sup>(1)</sup> Adjusted gross profit is defined as revenues less direct operating costs (excluding depreciation, amortization and impairment expense). See Non-GAAP Financial Measures below for a reconciliation of GAAP gross profit to adjusted gross profit by segment.

Revenues and direct operating costs increased slightly primarily due to market share gains in our U.S. and Canadian markets.

Other	Three Months Ended		% Change Sequential
	September 30,	June 30,	
	2024	2024	
	(dollars in thousands)		
Revenues	\$ 14,990	\$ 16,478	(9.0)%
Direct operating costs	10,077	10,280	(2.0)%
Adjusted gross profit <sup>(1)</sup>	4,913	6,198	(20.7)%
Selling, general and administrative	156	253	(38.3)%
Depreciation, depletion, amortization and impairment	8,330	5,512	51.1 %
Operating income (loss)	\$ (3,573)	\$ 433	NA
Capital expenditures	\$ 5,909	\$ 9,213	(35.9)%

<sup>(1)</sup> Adjusted gross profit is defined as revenues less direct operating costs (excluding depreciation, depletion, amortization and impairment expense). See Non-GAAP Financial Measures below for a reconciliation of GAAP gross profit to adjusted gross profit by segment.

Revenue and direct operating costs decreased due to a lower volume of services provided by our oilfield rentals business.

Depreciation, depletion, amortization and impairment decreased primarily due to a \$3.4 million impairment recorded in our oil and natural gas properties business during the third quarter of 2024.

Corporate	Three Months Ended		% Change Sequential
	September 30,	June 30,	
	2024	2024	
	(dollars in thousands)		
Selling, general and administrative	\$ 41,580	\$ 41,523	0.1 %
Merger and integration expense	\$ 6,699	\$ 10,645	(37.1)%
Depreciation	\$ 1,224	\$ 1,650	(25.8)%
Other operating expense (income), net	\$ 2,908	\$ (2,864)	NA
Credit loss expense	\$ 721	\$ (273)	NA
Interest income	\$ 745	\$ 1,867	(60.1)%
Interest expense, net of amount capitalized	\$ (17,990)	\$ (17,913)	0.4 %
Other income (expense)	\$ (716)	\$ 224	NA
Capital expenditures	\$ 2,487	\$ 183	1,259.0 %

Corporate activities were relatively flat between sequential quarters.

Other operating expense (income), net includes net gains or losses associated with the disposal of assets. Accordingly, the related gains or losses have been excluded from the results of specific segments. The \$5.8 million change in other operating expense (income), net is primarily the result of gains on the disposal of assets in the second quarter of 2024 that did not recur in the third quarter.

## Results of Operations

The following tables summarize results of operations by business segment for the nine months ended September 30, 2024 and September 30, 2023:

Drilling Services <sup>(1)</sup>	Nine Months Ended		% Change
	September 30,	September 30,	
	2024	2023	
	(dollars in thousands)		
Revenues	\$ 1,319,425	\$ 1,456,161	(9.4 %)
Direct operating costs	784,111	842,761	(7.0 %)
Adjusted gross profit <sup>(2)</sup>	535,314	613,400	(12.7 %)
Selling, general and administrative	11,761	11,810	(0.4 %)
Depreciation, amortization and impairment	392,224	272,361	44.0 %
Other operating income, net	—	(93)	(100.0 %)
Operating income	\$ 131,329	\$ 329,322	(60.1 %)
Capital expenditures	\$ 210,346	\$ 261,155	(19.5 %)
Operating days – U.S. <sup>(3)</sup>	31,282	34,429	(9.1 %)
Average revenue per operating day – U.S. <sup>(3)</sup>	\$ 36.04	\$ 36.23	(0.5 %)
Average direct operating costs per operating day – U.S. <sup>(3)</sup>	\$ 19.87	\$ 19.25	3.2 %
Average adjusted gross profit per operating day – U.S. <sup>(3)</sup>	\$ 16.17	\$ 16.98	(4.8 %)

<sup>(1)</sup> Drilling services segment represents our contract drilling, directional drilling, oilfield technology and electrical controls and automation businesses.

<sup>(2)</sup> Adjusted gross profit is defined as revenues less direct operating costs (excluding depreciation, amortization and impairment expense). See Non-GAAP Financial Measures below for a reconciliation of GAAP gross margin to adjusted gross profit by segment.

<sup>(3)</sup> Operational data relates to our contract drilling business. A rig is considered to be operating if it is earning revenue pursuant to a contract on a given day.

Total revenues and direct operating costs decreased primarily due to a decrease in operating days in our contract drilling business within the United States. Average revenue per operating day remained relatively flat while average direct operating costs per operating day increased. The decline in operating days impacted the fixed cost leverage for U.S. drilling rigs during the nine months ended September 30, 2024.

The decrease in operating days for our U.S. contract drilling business reflects the industry-wide activity declines during the first nine months of 2024 due to increased drilling efficiencies and market consolidation.

Depreciation, amortization and impairment increased primarily due to a charge of \$114 million related to the abandonment of 42 legacy, non-Tier-1 super-spec drilling rigs and related equipment. See Note 6 of Notes to unaudited condensed consolidated financial statements for additional information.

Capital expenditures decreased primarily due to reduced investment in our ancillary drilling services not included within our contract drilling business and timing of order placement.

Completion Services <sup>(1)</sup>	Nine Months Ended		% Change
	September 30,	September 30,	
	2024	2023	
	(dollars in thousands)		
Revenues	\$ 2,581,937	\$ 1,003,083	157.4 %
Direct operating costs	2,102,643	785,458	167.7 %
Adjusted gross profit <sup>(2)</sup>	479,294	217,625	120.2 %
Selling, general and administrative	31,854	12,388	157.1 %
Depreciation, amortization and impairment	428,303	135,339	216.5 %
Impairment of goodwill	885,240	—	NA
Other operating income, net	(17,792)	—	NA
Operating income (loss)	\$ (848,311)	\$ 69,898	NA
Capital expenditures	\$ 258,860	\$ 107,529	140.7 %

<sup>(1)</sup> Completion services represents the combination of well completion business from the NexTier merger and our legacy pressure pumping business.

<sup>(2)</sup> Adjusted gross profit is defined as revenues less direct operating costs (excluding depreciation, amortization and impairment expense). See Non-GAAP Financial Measures below for a reconciliation of GAAP gross margin to adjusted gross profit by segment.

The changes in the results of our completion services segment for the nine months ended September 30, 2024 as compared to September 30, 2023 can be primarily attributed to the NexTier merger, which closed on September 1, 2023. The NexTier merger had a material impact on our reported results of operations. The results for the nine months ended September 30, 2024 represent the combination of the well completion business from the NexTier merger and our legacy pressure pumping business. Due to the full integration of our legacy pressure pumping business into the NexTier legal entity in the first quarter of 2024, we are unable to provide a meaningful year-over-year comparison excluding the impact of the NexTier merger.

During the nine months ended September 30, 2024, we recorded an \$885 million impairment charge to goodwill associated with our completion services reporting unit. See Note 7 of Notes to unaudited condensed consolidated financial statements for additional information.

Other operating income, net in 2024 was due to gain on legal settlements.

Drilling Products	Nine Months Ended		% Change
	September 30,	September 30,	
	2024	2023	
	(dollars in thousands)		
Revenues	\$ 265,129	\$ 46,570	469.3 %
Direct operating costs	141,921	32,071	342.5 %
Adjusted gross profit <sup>(1)</sup>	123,208	14,499	749.8 %
Selling, general and administrative	25,651	3,664	600.1 %
Depreciation, amortization and impairment	73,282	17,075	329.2 %
Operating income (loss)	\$ 24,275	\$ (6,240)	NA
Capital expenditures	\$ 45,853	\$ 7,940	477.5 %

<sup>(1)</sup> Adjusted gross profit is defined as revenues less direct operating costs (excluding depreciation, amortization and impairment expense). See Non-GAAP Financial Measures below for a reconciliation of GAAP gross margin to adjusted gross profit by segment.

The changes in the results of our drilling products segment for the nine months ended September 30, 2024 as compared to September 30, 2023 are attributable to the Ultrera acquisition, which closed on August 14, 2023. The results for the nine months ended September 30, 2023 included 45 days of operating results, and as such, there was no meaningful year-over-year comparison.

Direct operating costs and depreciation, amortization and impairment were approximately \$4.8 million and \$11.6 million higher than they would have otherwise been for the nine months ended September 30, 2024, respectively, as a result of the step up to fair value of our drill bits in accordance with purchase accounting. Direct operating costs and depreciation, amortization and impairment were approximately \$6.4 million and \$7.4 million higher than they would have otherwise been for the nine months ended September 30, 2023, respectively, as a result of the step up to fair value of our drill bits in accordance with purchase accounting.

Other	Nine Months Ended		% Change
	September 30,	September 30,	
	2024	2023	
	(dollars in thousands)		
Revenues	\$ 49,285	\$ 56,325	(12.5) %
Direct operating costs	31,535	31,912	(1.2) %
Adjusted gross profit <sup>(1)</sup>	17,750	24,413	(27.3) %
Selling, general and administrative	649	656	(1.1) %
Depreciation, depletion, amortization and impairment	19,253	21,946	(12.3) %
Operating income (loss)	<u>\$ (2,152)</u>	<u>\$ 1,811</u>	NA
Capital expenditures	\$ 18,919	\$ 18,387	2.9 %

<sup>(1)</sup> Adjusted gross profit is defined as revenues less direct operating costs (excluding depreciation, depletion, amortization and impairment expense). See Non-GAAP Financial Measures below for a reconciliation of GAAP gross margin to adjusted gross profit by segment.

Revenue decreased due to a lower volume of services provided by our oilfield rentals business.

Depreciation, depletion, amortization and impairment decreased primarily due to a \$6.2 million impairment recorded in our oil and natural gas business during the nine months ended September 30, 2023 compared to a \$3.4 million impairment for the comparable period in 2024.

Corporate	Nine Months Ended		% Change
	September 30,	September 30,	
	2024	2023	
	(dollars in thousands)		
Selling, general and administrative	\$ 125,343	\$ 80,407	55.9 %
Merger and integration expense	\$ 29,577	\$ 78,128	(62.1) %
Depreciation	\$ 4,212	\$ 5,908	(28.7) %
Credit loss expense	\$ 5,679	\$ —	NA
Other operating income, net	\$ (1,268)	\$ (9,901)	(87.2) %
Interest income	\$ 4,801	\$ 4,583	4.8 %
Interest expense, net of amount capitalized	\$ 54,238	\$ 34,189	58.6 %
Other income	\$ 358	\$ 3,191	(88.8) %
Capital expenditures	\$ 4,058	\$ 15,406	(73.7) %

Selling, general and administrative expense increased primarily due to the reorganization of acquired Ulterra and NexTier support personnel to corporate following the NexTier merger and the Ulterra acquisition.

Merger and integration expense decreased due to the timing of the NexTier merger and the Ulterra acquisition, which both closed in the third quarter of 2023.

Credit loss expense increased due to a deterioration in the financial condition of a customer.

Interest expense increased primarily due to the offering of 2033 Notes in the third quarter of 2023. See Note 9 of Notes to unaudited condensed consolidated financial statements for additional information on our long-term debt.

The decrease in capital expenditures was primarily due to the purchase of an aircraft in the second quarter of 2023.

## Income Taxes

Our effective income tax rate fluctuates from the U.S. statutory tax rate based on, among other factors, changes in pretax income in jurisdictions with varying statutory tax rates, the impact of U.S. state and local taxes, the realizability of deferred tax assets and other differences related to the recognition of income and expense between GAAP and tax accounting.

Our effective income tax rate for the three months ended September 30, 2024 was 3.0%, compared with 60.5% for the three months ended June 30, 2024. The difference in effective income tax rates between the periods was primarily attributable to the impact of permanent differences against earnings between periods.

Our effective income tax rate for the nine months ended September 30, 2024 was (0.8)%, compared with 13.9% for the nine months ended September 30, 2023. The difference in effective income tax rates between the periods was primarily attributable to the impact of valuation allowances on deferred tax assets between periods, as well as the impact of permanent differences against earnings between periods.

We continue to monitor income tax developments in the United States and other countries where we have legal entities. We will incorporate into our future financial statements the impacts, if any, of future regulations and additional authoritative guidance when finalized.

## Liquidity and Capital Resources

Our primary sources of liquidity are cash and cash equivalents, availability under our revolving credit facility and cash provided by operating activities. As of September 30, 2024, we had approximately \$444 million in working capital, including \$115 million of cash and cash equivalents, and approximately \$613 million available under our revolving credit facility.

As part of the NexTier merger, we assumed the obligations of NexTier Completions Solutions Inc. (“NCS”) under a Master Loan and Security Agreement (as amended, the “Master Agreement”) with Caterpillar Financial Services Corporation. The Master Agreement allows NCS to enter into secured equipment financing term loans from time to time (the “Equipment Loans”). The Equipment Loans may be drawn in multiple tranches, with each loan evidenced by a separate promissory note. The Master Agreement and the Equipment Loans contain customary affirmative and negative covenants, including limitations on further encumbrance of the collateral other than the applicable loans under the Master Agreement. We were in compliance with these covenants at September 30, 2024. The Equipment Loans bear interest at a rate of 5.25% per annum, and we pay interest on the 1<sup>st</sup> of each month. The Equipment Loans will mature on June 1, 2025.

On April 5, 2024, we entered into the Commitment Increase Agreement, which increased the commitments under our Credit Agreement to \$615 million. The maturity date for \$567 million of such commitments is March 27, 2026; and the maturity date for \$48.3 million of such commitments is March 27, 2025.

The Credit Agreement is a committed senior unsecured revolving credit facility that permits aggregate borrowings of up to \$615 million, including a letter of credit facility that, at any time outstanding, is limited to \$100 million and a swing line facility that, at any time outstanding, is limited to the lesser of \$50.0 million and the amount of the swing line provider’s unused commitment.

Loans under the Credit Agreement bear interest by reference, at our election, to the SOFR rate (subject to a 0.10% per annum adjustment) or base rate, in each case subject to a 0% floor. The applicable margin on SOFR rate loans varies from 1.00% to 2.00% and the applicable margin on base rate loans varies from 0.00% to 1.00%, in each case determined based on our credit rating. As of September 30, 2024, the applicable margin on SOFR rate loans was 1.75% and the applicable margin on base rate loans was 0.75%. A letter of credit fee is payable by us equal to the applicable margin for SOFR rate loans times the daily amount available to be drawn under outstanding letters of credit. The commitment fee rate payable to the lenders varies from 0.10% to 0.30% based on our credit rating.

None of our subsidiaries are currently required to be a guarantor under the Credit Agreement. However, if any subsidiary guarantees or incurs debt, which does not qualify for certain limited exceptions and is otherwise, in the aggregate with all other similar debt, in excess of Priority Debt (as defined in the Credit Agreement), such subsidiary is required to become a guarantor under the Credit Agreement.

The Credit Agreement contains representations, warranties, affirmative and negative covenants and events of default and associated remedies that we believe are customary for agreements of this nature, including certain restrictions on our ability and the ability of each of our subsidiaries to grant liens and on the ability of each of our non-guarantor subsidiaries to incur debt. If our credit rating is below investment grade at both Moody’s and S&P, we will become subject to a restricted payment covenant, which would generally require us to have a Pro Forma Debt Service Coverage Ratio (as defined in the Credit Agreement) greater than or equal to 1.50 to 1.00 immediately before and immediately after making any restricted payment. Restricted payments include, among other things, dividend payments, repurchases of our common stock, distributions to holders of our common stock or any other payment or other distribution to third parties on account of our or our subsidiaries’ equity interests. Our credit rating is currently investment grade at both credit rating agencies. The Credit Agreement also requires that our total debt to capitalization ratio, expressed as a percentage, not exceed 50% as of the last day of each fiscal quarter. The Credit Agreement generally defines the total debt to

capitalization ratio as the ratio of (a) total borrowed money indebtedness to (b) the sum of such indebtedness plus consolidated net worth, with consolidated net worth determined as of the end of the most recently ended fiscal quarter. We were in compliance with these covenants at September 30, 2024.

On March 16, 2015, we entered into a Reimbursement Agreement (the “Reimbursement Agreement”) with The Bank of Nova Scotia (“Scotiabank”), pursuant to which we may from time to time request that Scotiabank issue an unspecified amount of letters of credit. As of September 30, 2024, we had \$35.9 million in letters of credit outstanding under the Reimbursement Agreement.

Under the terms of the Reimbursement Agreement, we will reimburse Scotiabank on demand for any amounts that Scotiabank has disbursed under any of our letters of credit issued thereunder. Fees, charges and other reasonable expenses for the issuance of letters of credit are payable by us at the time of issuance at such rates and amounts as are in accordance with Scotiabank’s prevailing practice. We are obligated to pay to Scotiabank interest on all amounts not paid by us on the date of demand or when otherwise due at the LIBOR rate plus 2.25% per annum, calculated daily and payable monthly, in arrears, on the basis of a calendar year for the actual number of days elapsed, with interest on overdue interest at the same rate as on the reimbursement amounts. A letter of credit fee is payable by us equal to 1.50% times the amount of outstanding letters of credit.

We have also agreed that if obligations under the Credit Agreement are secured by liens on any of our or our subsidiaries’ property, then our reimbursement obligations and (to the extent similar obligations would be secured under the Credit Agreement) other obligations under the Reimbursement Agreement and any letters of credit will be equally and ratably secured by all property subject to such liens securing the Credit Agreement.

Pursuant to a Continuing Guaranty dated as of March 16, 2015, our payment obligations under the Reimbursement Agreement are jointly and severally guaranteed as to payment and not as to collection by our subsidiaries that from time to time guarantee payment under the Credit Agreement. None of our subsidiaries are currently required to guarantee payment under the Credit Agreement.

We had \$40.0 million of outstanding letters of credit at September 30, 2024, which was comprised of \$35.9 million outstanding under the Reimbursement Agreement, \$2.1 million outstanding under the Credit Agreement, and \$1.9 million outstanding with financial institutions providing for short-term borrowing capacity, overdraft protection and bonding requirements. We maintain these letters of credit primarily for the benefit of various insurance companies as collateral for retrospective premiums and retained losses which could become payable under terms of the underlying insurance contracts and compliance with contractual obligations. These letters of credit expire annually at various times during the year and are typically renewed. As of September 30, 2024, no amounts had been drawn under the letters of credit. As of September 30, 2024, we had \$35.0 million in surety bond exposure issued as financial assurance on an insurance agreement.

Our outstanding long-term debt at September 30, 2024 was \$1.2 billion and consisted of \$483 million of our 2028 Notes, \$345 million of our 2029 Notes, \$400 million of our 2033 Notes and \$9.5 million of our Equipment Loans. We were in compliance with all covenants under the associated agreements and indentures at September 30, 2024.

For a full description of the Credit Agreement, the Reimbursement Agreement, the 2028 Notes, the 2029 Notes, the 2033 Notes and the Equipment Loans, see Note 9 of Notes to unaudited condensed consolidated financial statements.

### **Cash Requirements**

We believe our current liquidity, together with cash expected to be generated from operations, should provide us with sufficient ability to fund our current plans to maintain and make improvements to our existing equipment, service our debt, pay cash dividends and repurchase our common stock and senior notes for at least the next 12 months.

If we pursue other opportunities that require capital, we believe we would be able to satisfy these needs through a combination of working capital, cash flows from operating activities, borrowing capacity under our revolving credit facility or additional debt or equity financing. However, there can be no assurance that such capital will be available on reasonable terms, if at all.

A portion of our capital expenditures can be adjusted and managed by us to match market demand and activity levels. For the fourth quarter, we expect total capital expenditures of approximately \$150 million.

We anticipate \$16.5 million of expenditures for the remainder of 2024 related to various contractual obligations such as certain commitments to purchase proppants and lease liabilities.

The majority of these expenditures are expected to be used for normal, recurring items necessary to support our business.



During the nine months ended September 30, 2024, our sources of cash flow included:

- \$860 million from operating activities, and
- \$14.7 million in proceeds from the disposal of property and equipment.

During the nine months ended September 30, 2024, our uses of cash flow included:

- \$538 million to make capital expenditures for the betterment and refurbishment of drilling services and completion services equipment and, to a much lesser extent, equipment for our other businesses, to acquire and procure equipment to support our drilling services, completion services, drilling products, and other operations,
- \$270 million for repurchases of our common stock,
- \$95.6 million to pay dividends on our common stock, and
- \$36.6 million for finance lease payments.

We paid cash dividends during the nine months ended September 30, 2024 as follows:

	Per Share	Total (in thousands)
Paid on March 15, 2024	\$ 0.08	\$ 32,553
Paid on June 17, 2024	0.08	31,815
Paid on September 16, 2024	0.08	31,225
	<u>\$ 0.24</u>	<u>\$ 95,593</u>

On October 23, 2024, our Board of Directors approved a cash dividend on our common stock in the amount of \$0.08 per share to be paid on December 16, 2024 to holders of record as of December 2, 2024. The amount and timing of all future dividend payments, if any, are subject to the discretion of the Board of Directors and will depend upon business conditions, results of operations, financial condition, terms of our debt agreements and other factors. Our Board of Directors may, without advance notice, reduce or suspend our dividend to improve our financial flexibility and position our company for long-term success. There can be no assurance that we will pay a dividend in the future.

We may, at any time and from time to time, seek to retire or purchase our outstanding debt for cash through open-market purchases, privately negotiated transactions, redemptions or otherwise. Such repurchases, if any, will be upon such terms and at such prices as we may determine, and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

In September 2013, our Board of Directors approved a stock buyback program. In February 2024, our Board of Directors approved an increase of the authorization under the stock buyback program to allow for an aggregate of \$1.0 billion of future share repurchases. All purchases executed to date have been through open market transactions. Purchases under the buyback program are made at management’s discretion, at prevailing prices, subject to market conditions and other factors. Purchases may be made at any time without prior notice. There is no expiration date associated with the buyback program. As of September 30, 2024, we had remaining authorization to purchase approximately \$780 million of our outstanding common stock under the stock buyback program. Shares of stock purchased under the buyback program are held as treasury shares.

Treasury stock acquisitions during the nine months ended September 30, 2024 were as follows (dollars in thousands):

	Shares	Cost
Treasury shares at beginning of period	105,580,011	\$ 1,657,675
Purchases pursuant to stock buyback program	24,020,777	259,247
Acquisitions pursuant to long-term incentive plans <sup>(1)</sup>	1,202,720	12,977
Treasury shares at end of period	<u>130,803,508</u>	<u>\$ 1,929,899</u>

<sup>(1)</sup> We withheld 1,202,720 shares during the nine months ended September 30, 2024 with respect to employees’ tax withholding obligations upon the vesting of restricted stock units. These shares were acquired at fair market value. These acquisitions were made pursuant to the terms of the Patterson-UTI Energy, Inc. 2021 Long-Term Incentive Plan, as amended, the NextTier Oilfield

Solutions Inc. Equity and Incentive Award Plan and the NexTier Oilfield Solutions Inc. (Former C&J Energy) Management Incentive Plan and not pursuant to the stock buyback program.

*Commitments* — As of September 30, 2024, we had commitments to purchase major equipment totaling approximately \$67.2 million. Our completion services segment has entered into agreements to purchase minimum quantities of proppants from certain vendors. As of September 30, 2024, the remaining minimum obligation under these agreements was approximately \$21.5 million, of which approximately \$4.8 million, \$14.3 million, and \$2.4 million relate to the remainder of 2024, 2025 and 2026, respectively.

See Note 10 of Notes to unaudited condensed consolidated financial statements for additional information on our current commitments and contingencies as of September 30, 2024.

Operating lease liabilities totaled \$50.6 million and finance lease liabilities totaled \$32.7 million as of September 30, 2024.

*Trading and Investing* — We have not engaged in trading activities that include high-risk securities, such as derivatives and non-exchange traded contracts. We invest cash primarily in highly liquid, short-term investments such as overnight deposits and money market accounts.

## Non-GAAP Financial Measures

### Adjusted EBITDA

Adjusted earnings before interest, taxes, depreciation and amortization (“Adjusted EBITDA”) is not defined by accounting principles generally accepted in the United States of America (“GAAP”). We define Adjusted EBITDA as net income plus income tax expense (benefit), net interest expense, depreciation, depletion, amortization and impairment expense (including impairment of goodwill) and merger and integration expense. We present Adjusted EBITDA as a supplemental disclosure because we believe it provides to both management and investors additional information with respect to the performance of our fundamental business activities and a comparison of the results of our operations from period to period and against our peers without regard to our financing methods or capital structure. We exclude the items listed above from net income in arriving at Adjusted EBITDA because these amounts can vary substantially from company to company within our industry depending upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired. Adjusted EBITDA should not be construed as an alternative to the GAAP measure of net income (loss). Our computations of Adjusted EBITDA may not be the same as similarly titled measures of other companies. Set forth below is a reconciliation of the non-GAAP financial measure of Adjusted EBITDA to the GAAP financial measure of net income (loss).

	Three Months Ended		Nine Months Ended	
	September 30,	June 30,	September 30,	
	2024	2024	2024	2023
	(in thousands)			
Net income (loss)	\$ (978,334)	\$ 11,621	\$ (915,007)	\$ 184,014
Income tax expense (benefit)	(30,256)	17,785	7,526	29,820
Net interest expense	17,245	16,046	49,437	29,606
Depreciation, depletion, amortization and impairment	374,680	267,638	917,274	452,629
Impairment of goodwill	885,240	—	885,240	—
Merger and integration expense	6,699	10,645	29,577	78,128
Adjusted EBITDA	<u>\$ 275,274</u>	<u>\$ 323,735</u>	<u>\$ 974,047</u>	<u>\$ 774,197</u>

## Adjusted Net Income (Loss) and Adjusted Earnings Per Share

Adjusted net income (loss) and adjusted earnings per share are not defined by GAAP. We define adjusted net income (loss) as net income (loss) attributable to common stockholders as reported, excluding merger and integration expense, impairment of goodwill and asset abandonment, less income tax benefit. We present adjusted net income (loss) and adjusted earnings per share in order to convey to investors our performance on a basis that, by excluding the items listed above, is more comparable to our net income (loss) and earnings per share reported in previous periods. Adjusted net income (loss) and adjusted earnings per share should not be construed as an alternative to GAAP net loss and earnings per share. Adjusted net income (loss) and adjusted earnings per share for the three and nine months ended September 30, 2024 were as follows (in thousands, except per share amounts):

	Three Months Ended		Nine Months Ended	
	September 30,	June 30,	September 30,	
	2024	2024	2024	2023
	(in thousands, except per share amounts)			
Net income (loss) attributable to common stockholders (GAAP)	\$ (978,761)	\$ 11,077	\$ (916,449)	\$ 184,342
Merger and integration expense	6,699	10,645	29,577	78,128
Impairment of goodwill	885,240	—	885,240	—
Asset abandonment	114,031	—	114,031	—
Tax impact on non-GAAP adjustments	(25,353)	(2,235)	(30,158)	(12,544)
Adjusted net income attributable to common stockholders (Non-GAAP)	<u>\$ 1,856</u>	<u>\$ 19,487</u>	<u>\$ 82,241</u>	<u>\$ 249,926</u>
<b>BASIC EPS:</b>				
Adjusted net income attributable to common stockholders (Non-GAAP)	<u>\$ 1,856</u>	<u>\$ 19,487</u>	<u>\$ 82,241</u>	<u>\$ 249,926</u>
Weighted average number of common shares outstanding, excluding non-vested restricted stock units	<u>391,732</u>	<u>399,558</u>	<u>399,795</u>	<u>233,631</u>
Basic adjusted net income per common share (Non-GAAP)	<u>\$ 0.00</u>	<u>\$ 0.05</u>	<u>\$ 0.21</u>	<u>\$ 1.07</u>
<b>DILUTED EPS:</b>				
Adjusted net income attributable to common stockholders (Non-GAAP)	<u>\$ 1,856</u>	<u>\$ 19,487</u>	<u>\$ 82,241</u>	<u>\$ 249,926</u>
Weighted average number of common shares outstanding, excluding non-vested restricted stock units	<u>391,732</u>	<u>399,558</u>	<u>399,795</u>	<u>234,488</u>
Diluted adjusted net income per common share (Non-GAAP)	<u>\$ 0.00</u>	<u>\$ 0.05</u>	<u>\$ 0.21</u>	<u>\$ 1.07</u>

## Adjusted Gross Profit

We define “Adjusted gross profit” as revenues less direct operating costs (excluding depreciation, depletion, amortization and impairment expense, which does not include impairment of goodwill). Adjusted gross profit is included as a supplemental disclosure because it is a useful indicator of our operating performance.

	Drilling Services	Completion Services	Drilling Products	Other
	(in thousands)			
<b>For the three months ended September 30, 2024</b>				
Revenues	\$ 421,563	\$ 831,567	\$ 89,102	\$ 14,990
Less direct operating costs	(250,877)	(703,809)	(47,144)	(10,077)
Less depreciation, depletion, amortization and impairment <sup>(1)</sup>	(201,272)	(140,930)	(22,924)	(8,330)
GAAP gross profit	(30,586)	(13,172)	19,034	(3,417)
Depreciation, depletion, amortization and impairment <sup>(1)</sup>	201,272	140,930	22,924	8,330
Adjusted gross profit	<u>\$ 170,686</u>	<u>\$ 127,758</u>	<u>\$ 41,958</u>	<u>\$ 4,913</u>
<b>For the three months ended June 30, 2024</b>				
Revenues	\$ 440,289	\$ 805,373	\$ 86,054	\$ 16,478
Less direct operating costs	(261,497)	(653,240)	(46,147)	(10,280)
Less depreciation, depletion, amortization and impairment <sup>(1)</sup>	(98,607)	(138,693)	(23,176)	(5,512)
GAAP gross profit	80,185	13,440	16,731	686
Depreciation, depletion, amortization and impairment <sup>(1)</sup>	98,607	138,693	23,176	5,512
Adjusted gross profit	<u>\$ 178,792</u>	<u>\$ 152,133</u>	<u>\$ 39,907</u>	<u>\$ 6,198</u>
<b>For the nine months ended September 30, 2024</b>				
Revenues	\$ 1,319,425	\$ 2,581,937	\$ 265,129	\$ 49,285
Less direct operating costs	(784,111)	(2,102,643)	(141,921)	(31,535)
Less depreciation, depletion, amortization and impairment <sup>(1)</sup>	(392,224)	(428,303)	(73,282)	(19,253)
GAAP gross profit	143,090	50,991	49,926	(1,503)
Depreciation, depletion, amortization and impairment <sup>(1)</sup>	392,224	428,303	73,282	19,253
Adjusted gross profit	<u>\$ 535,314</u>	<u>\$ 479,294</u>	<u>\$ 123,208</u>	<u>\$ 17,750</u>
<b>For the nine months ended September 30, 2023</b>				
Revenues	\$ 1,456,161	\$ 1,003,083	\$ 46,570	\$ 56,325
Less direct operating costs	(842,761)	(785,458)	(32,071)	(31,912)
Less depreciation, depletion, amortization and impairment <sup>(1)</sup>	(272,361)	(135,339)	(17,075)	(21,946)
GAAP gross profit	341,039	82,286	(2,576)	2,467
Depreciation, depletion, amortization and impairment <sup>(1)</sup>	272,361	135,339	17,075	21,946
Adjusted gross profit	<u>\$ 613,400</u>	<u>\$ 217,625</u>	<u>\$ 14,499</u>	<u>\$ 24,413</u>

<sup>(1)</sup> Depreciation, depletion, amortization and impairment expense excludes impairment of goodwill.

## Critical Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 such estimates. There have been no material changes to our critical accounting estimates previously disclosed in Item 7 of our Annual Report, except as follows:

*Impairment of long-lived assets* — We review our long-lived assets, including property and equipment and definite-lived intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amounts of certain assets may not be recovered over their estimated remaining useful lives (“triggering events”). In connection with this review, assets are grouped at the lowest level at which identifiable cash flows are largely independent of other asset groupings. We estimated future cash flows over the life of the respective assets or asset groupings in our assessment of its recoverability. These estimates of cash flows were based on historical trends in the industry as well as our expectations regarding the continuation of these trends in the future. As of September 30, 2024, no impairment was indicated for our long-lived tangible or definite-lived intangible assets.

While we believe our judgments and assumptions are reasonable, geopolitical instability, global or regional decreases in the demand of our services and products, or other unforeseen macroeconomic considerations could negatively impact the expected cash flows used in our recoverability tests on our asset groups. Such changes could result in impairment charges in the future, which could be material to our results of operations and financial statements as a whole.

*Goodwill* — We assess goodwill at least annually on July 31, or more frequently when events and circumstances occur indicating recorded goodwill may be impaired. Goodwill is tested at the reporting unit level, which is at or one level below our operating segments. We determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value after considering qualitative, market and other factors, and if that is the case, any necessary goodwill impairment is determined using a quantitative impairment test. If the resulting fair value of goodwill is less than the carrying value of goodwill, an impairment loss would be recognized for the amount of the shortfall. The fair value of a reporting unit is determined using significant unobservable inputs, or level 3 in the fair value hierarchy. These inputs are based on internal management estimates, forecasts, and significant judgment.

We determined our drilling products operating segment consists of a single reporting unit and, accordingly, goodwill acquired from the Ultrerra acquisition was allocated to that reporting unit. We determined our completion services operating segment consists of two reporting units; completion services, which is primarily comprised of our hydraulic fracturing operations and other integrated service offerings, and cementing services.

Negative market indicators such as lower industry-wide drilling rig and pressure pumping fleet count forecasts, increased volatility and pricing declines in the pressure pumping market, and continued efficiency gains and technology advancements reducing operating days have led to our reduced outlook for activity. We viewed the reduction in activity forecasts combined with the recent decline in the market price of our common stock as a triggering event that warranted a quantitative assessment for goodwill impairment.

We estimated the fair value of the drilling products reporting unit in our drilling products operating segment and the completion services reporting unit in our completion services operating segment using the income approach. Under this approach, we used a discounted cash flow model, which utilizes present values of cash flows to estimate fair value. Forecasted cash flows reflected known market conditions in the third quarter of 2024 and management’s anticipated business outlook for each reporting unit. Future cash flows were projected based on estimates of revenue, gross profit, selling, general and administrative expense, changes in working capital, and capital expenditures. The terminal period used within the discounted cash flow model for each reporting unit consisted of a 1% growth estimate. Future cash flows were then discounted using a market-participant, risk-adjusted weighted average cost of capital of 10.25% for the drilling products reporting unit and 10.75% for the completion services reporting unit. Financial and credit market volatility directly impacts our fair value measurement through the weighted average cost of capital used to determine a discount rate. During times of volatility, significant judgment must be applied to determine whether credit market changes are a short-term or long-term trend.

We estimated the fair value of the cementing services reporting unit in our completion services operating segment using a market approach. The market approach was based on trading multiples of earnings before interest, taxes, depreciation and amortization for companies comparable to the cementing services reporting unit.

The forecast for the completion services reporting unit assumed lower activity in 2025 compared to average activity levels for full year 2024 and increases in estimated activity of 2% to 8% beginning in 2026 through 2029. Those estimates were based on future drilling rig and pressure pumping fleet count forecasts during the third quarter of 2024 and estimated market share. Additionally, the forecast reflected the expectation that industry-wide pricing pressure will persist within the completions market and continue to compress adjusted gross profit. These factors negatively impacted the estimated value of the reporting unit.

Based on the results of the quantitative assessment, the fair value of the completion services reporting unit was less than its carrying value. Accordingly, we recorded an \$885 million impairment charge to goodwill for the completion services reporting unit during the third quarter of 2024.

The forecast for the drilling products reporting unit assumed continued growth domestically as well as in international markets. Geopolitical instability in regions in which we expect to maintain and grow market share, a global decrease in the demand of drilling

products, or other unforeseen macroeconomic considerations could negatively impact the key assumptions used in our goodwill assessment for our drilling products reporting unit.

Based on the results of the goodwill impairment tests, the fair values of the drilling products and cementing services reporting units exceeded their carrying values by approximately 13% and 73%, respectively. Accordingly, no impairment was recorded for the drilling products and cementing services reporting units.

Assuming all changes are isolated, a decrease of 100 bps in our long-term revenue growth rate for our drilling products reporting unit would reduce our estimated fair value by approximately 5%, while a 100 bps increase to our discount rate would reduce our estimated fair value by approximately 10%.

A decrease in fair value resulting from unfavorable changes to these assumptions, or others, could result in goodwill impairment in future periods that could be material to our results of operations and financial statements as a whole.

### **Recently Issued Accounting Standards**

See Note 1 of Notes to unaudited condensed consolidated financial statements for a discussion of the impact of recently issued accounting standards.

### **Volatility of Oil and Natural Gas Prices and its Impact on Operations and Financial Condition**

Our revenues, profitability and cash flows are highly dependent upon prevailing prices for oil and natural gas and expectations about future prices. The current demand for equipment and services remains dependent on macro conditions, including commodity prices, geopolitical environment, inflationary pressures, economic conditions in the United States and elsewhere, as well as customer consolidation and focus by exploration and production companies and service companies on capital returns. Commodity price volatility in the second quarter of 2023 resulted in a decline in industry activity; commodity prices subsequently increased during the third quarter before declining in the fourth quarter of 2023. Oil prices increased during the first quarter of 2024, moderately fluctuated during the second quarter of 2024 and declined in the third quarter of 2024. While natural gas prices declined significantly during the first quarter of 2024, natural gas prices increased slightly during the second quarter of 2024 and moderately fluctuated during the third quarter of 2024. Oil prices averaged \$76.43 per barrel the third quarter of 2024, as compared to \$81.81 per barrel in the second quarter of 2024. Natural gas prices (based on the Henry Hub Spot Market Price) averaged \$2.11 per MMBtu in the third quarter of 2024 as compared to an average of \$2.07 per MMBtu in the second quarter of 2024.

In light of these and other factors, we expect oil and natural gas prices to continue to be volatile and to affect our financial condition, operations and ability to access sources of capital. Higher oil and natural gas prices do not necessarily result in increased activity because demand for our services is generally driven by our customers' expectations of future oil and natural gas prices, as well as our customers' ability to access, and willingness to deploy, capital to fund their operating and capital expenditures. A decline in demand for oil and natural gas, prolonged low oil or natural gas prices, expectations of decreases in oil and natural gas prices or a reduction in the ability of our customers to access capital would likely result in reduced capital expenditures by our customers and decreased demand for our services, which could have a material adverse effect on our operating results, financial condition and cash flows. Even during periods of historically moderate or high prices for oil and natural gas, companies exploring for oil and natural gas may cancel or curtail programs or reduce their levels of capital expenditures for exploration and production for a variety of reasons, which could reduce demand for our services.

**ITEM 3. *Quantitative and Qualitative Disclosures About Market Risk***

We may be exposed to certain market risks arising from the use of financial instruments in the ordinary course of business. For quantitative and qualitative disclosures about market risk, see Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” in our Annual Report. There have been no material changes in our exposure to market risk.

As of September 30, 2024, we would have had exposure to interest rate market risk associated with any outstanding borrowings and letters of credit that we had under the Credit Agreement and amounts owed under the Reimbursement Agreement.

Loans under the Credit Agreement bear interest by reference, at our election, to the SOFR rate (subject to a 0.10% per annum adjustment) or base rate, in each case subject to a 0% floor. The applicable margin on SOFR rate loans varies from 1.00% to 2.00% and the applicable margin on base rate loans varies from 0.00% to 1.00%, in each case determined based on our credit rating. As of September 30, 2024, the applicable margin on SOFR rate loans was 1.75% and the applicable margin on base rate loans was 0.75%. A letter of credit fee is payable by us equal to the applicable margin for SOFR rate loans times the daily amount available to be drawn under outstanding letters of credit. The commitment fee rate payable to the lenders varies from 0.10% to 0.30% based on our credit rating. As of September 30, 2024, we had \$2.1 million in letters of credit outstanding under the Credit Agreement and, as a result, had available borrowing capacity of approximately \$613 million at that date.

Under the terms of the Reimbursement Agreement, we will reimburse Scotiabank on demand for any amounts that Scotiabank has disbursed under any of our letters of credit issued thereunder. We are obligated to pay Scotiabank interest on all amounts not paid by us on the date of demand or when otherwise due at the LIBOR rate plus 2.25% per annum.

Some of our revenues in foreign countries are denominated in U.S. dollars, and therefore, changes in foreign currency exchange rates impact our earnings to the extent that costs associated with those U.S. dollar revenues are denominated in the local currency. Similarly, some of our revenues are denominated in foreign currencies, but have associated U.S. dollar costs, which also give rise to foreign currency exchange rate exposure.

The carrying values of cash and cash equivalents, trade receivables and accounts payable approximate fair value due to the short-term maturity of these items.

#### **ITEM 4. Controls and Procedures**

*Disclosure Controls and Procedures* — We maintain disclosure controls and procedures (as such terms are defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act), designed to ensure that the information required to be disclosed in the reports that we file with the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of September 30, 2024.

*Changes in Internal Control Over Financial Reporting* — There were no changes in our internal control over financial reporting during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act.



## PART II — OTHER INFORMATION

### ITEM 1. *Legal Proceedings*

We are party to various legal proceedings arising in the normal course of our business. We do not believe that the outcome of these proceedings, either individually or in the aggregate, will have a material adverse effect on our financial condition, cash flows and results of operations.

### ITEM 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

The table below sets forth the information with respect to purchases of our common stock made by us during the quarter ended September 30, 2024.

Period Covered	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (in thousands) <sup>(2)</sup>
July 2024	1,104,423	\$ 10.29	1,098,805	\$ 807,976
August 2024	2,623,234	\$ 9.20	2,600,000	\$ 784,060
September 2024	527,045	\$ 8.78	500,000	\$ 779,655
Total	4,254,702		4,198,805	

<sup>(1)</sup> We withheld 55,897 shares during the third quarter of 2024 with respect to employees' tax withholding obligations upon the vesting of restricted stock units. These shares were acquired at fair market value. These acquisitions were made pursuant to the terms of the Patterson-UTI Energy, Inc. 2021 Long-Term Incentive Plan, as amended, the NexTier Oilfield Solutions Inc. Equity and Incentive Award Plan and the NexTier Oilfield Solutions Inc. (Former C&J Energy) Management Incentive Plan, and not pursuant to the stock buyback program.

<sup>(2)</sup> In September 2013, our Board of Directors approved a stock buyback program. In February 2024, our Board of Directors approved an increase of the authorization under the stock buyback program to allow for an aggregate of \$1.0 billion of future share repurchases. All purchases executed to date have been through open market transactions. Purchases under the buyback program are made at management's discretion, at prevailing prices, subject to market conditions and other factors. Purchases may be made at any time without prior notice. There is no expiration date associated with the buyback program.

### ITEM 5. *Other Information*

(c) During the three months ended September 30, 2024, no director or officer of the Company adopted or terminated any trading arrangements for the sale of shares of our common stock.

## ITEM 6. Exhibits

The following exhibits are filed herewith or incorporated by reference, as indicated:

- 3.1 [Restated Certificate of Incorporation of Patterson-UTI Energy, Inc., dated as of June 6, 2024 \(filed June 6, 2024 as Exhibit 4.1 to our Registration Statement on Form S-8 and incorporated herein by reference\).](#)
- 3.2 [Amended and Restated Bylaws of Patterson-UTI Energy, Inc., effective June 14, 2023 \(filed June 15, 2023 as Exhibit 3.1 to our Current Report on Form 8-K and incorporated herein by reference\).](#)
- 10.1+ [Letter Agreement, dated August 27, 2024, by and between Patterson-UTI Energy, Inc. and James M. Holcomb \(filed September 3, 2024 as Exhibit 10.1 to our Current Report on Form 8-K and incorporated herein by reference\).](#)
- 31.1\* [Certification of Chief Executive Officer pursuant to Rule 13a-14\(a\)/15d-14\(a\) of the Securities Exchange Act of 1934, as amended.](#)
- 31.2\* [Certification of Chief Financial Officer pursuant to Rule 13a-14\(a\)/15d-14\(a\) of the Securities Exchange Act of 1934, as amended.](#)
- 32.1\*\* [Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101.INS\* Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH\* Inline XBRL Taxonomy Extension Schema Document
- 101.CAL\* Inline XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF\* Inline XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB\* Inline XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE\* Inline XBRL Taxonomy Extension Presentation Linkbase Document
- 104 The cover page from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, has been formatted in Inline XBRL.

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\* filed herewith.

\*\* furnished herewith.

+ management contact or compensatory plan.

**SIGNATURE**

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

PATTERSON-UTI ENERGY, INC.

By: /s/ C. Andrew Smith

C. Andrew Smith  
Executive Vice President and  
Chief Financial Officer

*(Principal Financial and Accounting Officer and Duly  
Authorized Officer)*

Date: October 28, 2024

## CERTIFICATIONS

I, William Andrew Hendricks, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Patterson-UTI Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(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.

/s/ William Andrew Hendricks, Jr.

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William Andrew Hendricks, Jr.  
*President and Chief Executive Officer*

Date: October 28, 2024

## CERTIFICATIONS

I, C. Andrew Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Patterson-UTI Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(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.

/s/ C. Andrew Smith

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C. Andrew Smith  
*Executive Vice President and  
Chief Financial Officer*

Date: October 28, 2024

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

**NOT FILED PURSUANT TO THE SECURITIES EXCHANGE ACT OF 1934**

In connection with the quarterly report of Patterson-UTI Energy, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), William Andrew Hendricks, Jr., Chief Executive Officer, and C. Andrew Smith, Chief Financial Officer, of the Company, each certify, 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; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission upon request. The foregoing is being furnished solely pursuant to said Section 906 and Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and is not being filed as part of the Report or as a separate disclosure document.

/s/ William Andrew Hendricks, Jr.

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William Andrew Hendricks, Jr.

Chief Executive Officer

October 28, 2024

/s/ C. Andrew Smith

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C. Andrew Smith

Chief Financial Officer

October 28, 2024