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

FORM 10-K

(Mark One)

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

For the Fiscal Year ended December 31, 2018

or

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

For the transition period from to

Commission File Number: 001-36909

ECO-STIM ENERGY SOLUTIONS, INC.
(Exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	**20-8203420** (IRS Employer Identification Number)
1773 Westborough Drive, Katy TX (Address of principal executive offices)	**77449** (Zip Code)

281-531-7200
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.001 per share	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: NONE

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

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

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 [X] No [ ]

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or 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. (Check one):

Large accelerated filer	[ ]	Accelerated filer [ ]
Non-accelerated filer	[ ]	Smaller reporting company [X]
		Emerging growth company [ ]

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

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

As of June 30, 2018, the aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, computed by reference to the closing price of that date, was $15,299,268.

The registrant had 18,869,514 shares of common stock outstanding at May 7, 2019.

Documents incorporated by reference: None

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this “Form 10-K”) contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements, other than statements of historical facts, included in this Form 10-K that address activities, events or developments that we expect, project, believe or anticipate will or many occur in the future are forward-looking statements. When used in this Form 10-K, the words “could’, “would”, “should”, “believe”, “anticipate”, “plan”, “intend”, “estimate”, “expect”, “project”, and other similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. Our forward-looking statements are based on our current expectations and assumptions and currently available information. Such statements should not be unduly relied upon. Forward-looking statements may include statements that relate to, among other things:

- our future financial performance;
- our prospects and the plans and objectives of our management;
- our financial strategy;
- our anticipated property and equipment sales;
- the effective liquidation of the Company’s assets;
- the orderly wind down of the Company;
- the settlement of creditor and other claims against the Company;
- the distribution of any cash or other assets to stockholders; and
- our plans, forecasts, objectives, expectations and intentions.

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 the anticipated future results or financial condition expressed or implied by the forward-looking statements. There are important factors that could cause actual results to vary materially from those described in this Form 10-K as anticipated, estimated or expected, including:

- our vulnerability to adverse economic conditions due to our incurrence of indebtedness;
- our ability to identify buyers for, and complete the sale of our assets;
- the control of Fir Tree Partners (together with its affiliated funds, “Fir Tree”) over stockholder voting;
- loss of key executives;
- the ability to employ and retain skilled and qualified workers;
- work stoppages and other labor matters;
- inadequacy of insurance coverage for certain losses or liabilities;
- delays in obtaining required permits or other governmental authorizations;
- ability to import equipment or spare parts into Argentina on a timely basis;
- ability to consummate the sale of certain of our assets in Argentina;
- foreign currency exchange rate fluctuations;
- volatility of economic conditions in Argentina; and
- costs and liabilities associated with labor, employment, environmental, health and safety laws, including any changes in the interpretation or enforcement thereof.

For additional information regarding known material factors that could affect our financial results and performance, please read (1) “Part I – Item 1A – Risk Factors” in this Annual Report on Form 10-K and (2) “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II – Item 7 of this Annual Report on Form 10-K.

Events may occur in the future that we are unable to accurately predict, or over which we have no control. Except as required by law, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future.

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PART I.

Except when the context otherwise requires or where otherwise indicated, throughout this Annual Report on Form 10-K, we use the terms "Eco-Stim," "EcoStim," "Company," "we," "us" and "our" to refer to Eco-Stim Energy Solutions, Inc.

ITEM 1. BUSINESS

Eco-Stim Energy Solutions, Inc. is a technology-driven independent oilfield services company that has historically offered well stimulation, coiled tubing and field management services to the upstream oil and gas industry. Our service offerings extended to exploration and production ("E&P) companies in the United States and Argentina.

In September 2018, we completed work under our pressure pumping contract with our primary U.S. customer. Based on the weakness of the U.S. well stimulation market, in September 2018 we elected to suspend our U.S. well stimulation operations and significantly reduce our U.S. workforce in alignment with potential near-term opportunities, including pump down and miscellaneous pumping services. As previously disclosed in our Form 10-Q as of September 30, 2018 filed on November 14, 2018, we have been actively pursuing the sale of all material equipment, inventory and other operating assets relating to our U.S. operations.

During the fourth quarter of 2018, the Company completed the disposition of certain of its U.S. equipment and other operating assets to unrelated third parties in several separate transactions in exchange for aggregate cash proceeds, before commissions and selling expenses, of approximately $5.7 million. On January 24, 2019, the Company completed the disposition of certain of its U.S. equipment to an unrelated party in exchange for approximately $2.8 million of aggregate cash proceeds, before commissions and selling expenses. On February 21, 2019, the Company completed the disposition of certain of its U.S. equipment to an unrelated party in exchange for approximately $6.2 million of aggregate cash proceeds, before commissions and selling expenses. On March 14, 2019, the Company completed the disposition of certain of its U.S. equipment to an unrelated party in exchange for approximately $2.1 million of aggregate cash proceeds, before commissions and selling expenses. Net of commissions, the Company received approximately $16.8 million. In the U.S., we have sold all the material equipment, inventory and other operating assets relating to our U.S. operations and terminated all field level employees.

In Argentina, we operated under a transition agreement with our primary customer beginning May 2018 and continued to provide services under that agreement during the third quarter of 2018. Subsequent to the third quarter of 2018, we have not provided any services to our primary customer in Argentina under the transition agreement or otherwise, and have not generated any material revenue from our Argentina operations since the third quarter of 2018. As previously disclosed in our Form 10-Q as of September 30, 2018 filed on November 14, 2018, we have been pursuing strategic alternatives, including alternatives for the Company's operations in Argentina that could include selling, reducing the scale of, or shutting down the Company's operations in Argentina.

In line with the Company's decision to either sell the Argentine company or sell the assets of the Argentine company, on March 18, 2019, the Company signed an agreement with an unrelated third party to purchase significantly all of our equipment and machinery assets in Argentina. The transactions contemplated by this agreement are expected to close in phases during the second quarter of 2019, with no continuing obligation or involvement by the Company in the operation of these assets. Following the consummation of the transactions contemplated by this agreement, the Company expects to shut down its operations in Argentina.

As of December 31, 2018, the Company has classified our Argentina subsidiary as discontinued operations for all periods presented in this filing. The Company made the decision, having received a letter of intent during the fourth quarter of 2018 from a third party, to sell the subsidiary. Refer to Note 17 – Assets Held for Sale-Discontinued Operations of our consolidated financial statements for additional details. As of December 31, 2018, the Company classified certain U.S. spare parts, equipment and machinery as held for sale based on the decision by the Company to seek buyers for and sell these assets. Refer to Note 17 – Assets Held for Sale-Discontinued Operations of our consolidated financial statements for additional details on the impact of this classification.

On December 28, 2018, the Company received a determination letter from Nasdaq that the Company would be delisted pursuant to the Nasdaq Listing Rules. The Company determined not to appeal the determination and the quotation of the Company's common stock moved to the "Pink Open Market" operated by the OTC Markets Group Inc. The common stock was subsequently delisted from Nasdaq due to the Company's non-compliance with Nasdaq's minimum bid price requirements. Specifically, the Nasdaq suspended trading in the Company's common stock on Nasdaq, effective prior to the regular opening of the market on January 2, 2019. The Nasdaq subsequently filed a Notification of Removal from Listing and/or Registration on Form 25 with the Securities and Exchange Commission, or SEC, on February 26, 2019 to remove the common stock from listing on Nasdaq and withdraw the common stock from registration under Section 12(b) pursuant to Rule 12d2-2(b) of the Exchange Act. Pursuant to Rule 12d2-2(d)(1) of the Exchange Act, the application on Form 25 became effective with respect to the delisting of the common stock ten (10) days after the Form 25 was filed with the SEC.

As disclosed previously in Form 8-K filed February 14, 2019, the Company has implemented a reverse stock split. The reverse stock split reduced the number of shareholders of record and allows the Company to deregister the common stock and reduce ongoing expenses with respect to filings under the Exchange Act. Those shareholders who, immediately following the reverse stock split, held only a fraction of a share of the Company's common stock were paid, in lieu thereof, an amount in cash equal to $0.08 (on a post-split basis) times such fraction of a share and are no longer shareholders of the Company. After the filing of this Annual Report on Form 10-K for the fiscal year ended December 31, 2018, and the filing of a Form 15 to suspend the Company's reporting obligations under Section 15(d) of the Exchange Act, the Company will no longer be subject to certain provisions of the Exchange Act. In particular, the Company's obligations to publicly file periodic and current reports with the SEC under Section 15(d) of the Exchange Act will be suspended.

Our Services

The Company offered a variety of specialized oilfield services and equipment generally categorized by their typical use during the economic life of a well. A description of the various services we offered is provided below.

Pressure Pumping

Our customers utilized our pressure pumping services to enhance the production of oil and natural gas from formations with low permeability, which restricts the natural flow of hydrocarbons. The technique of well stimulation consists of pumping a fluid into a cased well at sufficient pressure to create new channels in the rock, which can increase the extraction rates and the ultimate recovery of the hydrocarbons. Our equipment that was contracted by E&P companies to provide pressure-pumping services is referred to as a "well stimulation fleet" or "spread."

During a portion of 2018, we operated three well stimulation fleets, two in the United States based out of our operations facility in Fairview, Oklahoma, and one in Argentina based out of our operations facility in Neuquén, Argentina. In the United States, we provided pressure pumping services to customers in the Anadarko Basin in Oklahoma. From our operations base in Fairview, Oklahoma, we provided services to E&P companies in the mid-continent region, including in the Scoop, Stack, Cana-Woodford, Mississippian Lime and Springer plays.

During 2018, our well stimulation fleets generally included high pressure well-stimulation pumps and other supporting equipment, in both trailer-mounted and skid-mounted configurations. We had the capability of providing a variety of pressure-pumping services, including work-over pumping and well injection.

As of December 31, 2018, we owned 45 high-pressure pumps with an aggregate capacity of approximately 101,250 horsepower ("HHP") and owned an additional 12 high-pressure pumps with an aggregate capacity of approximately 27,000 HHP that require refurbishment and upgrade prior to activation for service. As of April 1, 2019, significantly all of our material operating machinery and equipment has been sold.

Coiled Tubing

During 2018, we offered coiled tubing services to customers in Argentina. Our coiled tubing services were used to perform various functions associated with well-servicing operations and to facilitate completion of horizontal wells. Coiled tubing services involve the insertion of steel tubing into a well to convey materials and/or equipment to perform various applications as part of a new completion or the servicing of existing wells, including wellbore maintenance, nitrogen services, thru-tubing services, and formation stimulation using acid and other chemicals. Coiled tubing has become a preferred method of well completion, workover and maintenance projects due to speed, ability to handle heavy-duty jobs across a wide spectrum of pressure environments, safety and ability to perform services without having to shut-in a well. The capabilities of our coiled tubing units in Argentina were their ability to cover a wide range of applications for horizontal completion, work-over and well-maintenance projects.

Customers

In May 2017, our first U.S. spread commenced operations in Oklahoma for an independent E&P company. In October 2017, our second U.S. spread commenced operations in Oklahoma for another independent E&P company. In November 2017, we negotiated an early release of our first U.S. spread from our contract with our first U.S. customer. In March 2018, and after securing sand delivery and other needed equipment, we redeployed this fleet to serve an independent E&P company operating in the Sooner Trend Anadarko Basin Canadian and Kingfisher Counties (“STACK”) play. This spread did not provide services to customers in April 2018 but resumed operations with a new independent E&P company customer in early May 2018. We subsequently ceased to provide services to this customer. In late May 2018, we agreed to provide our primary U.S. customer with additional dedicated horsepower and equipment, including certain of our natural gas-powered pumping units, to create what we referred to as a “super fleet” in support of a collaborative plan to improve the efficiency of our U.S. operations.

In September 2018, we completed work under our pressure pumping contract with our primary U.S. customer. Given the weakness of the U.S. well stimulation market, in September 2018 we elected to suspend our U.S. well stimulation operations and significantly reduce our U.S. workforce.

During the fourth quarter of 2018, the Company provided pump down services for a major E&P company, but did not provide any other services in the U.S.

For the year ended December 31, 2018, one U.S. customer accounted for 99% of our total U.S. revenue.

In Argentina, our customers consisted primarily of international oil and gas E&P companies including national oil companies, local privately-held exploration and production companies and, on occasion, other service companies that have contractual obligations to provide well stimulation and completion services. For the year ended December 31, 2018, our largest customer in Argentina accounted for approximately 21% of our total revenue and 98% of the revenue generated from our operations in Argentina.

In 2018, we negotiated with our primary customer in Argentina to improve the terms of our agreement with this customer. In June 2018, we finalized the terms of a transition agreement with improved commercial terms. The transition agreement became effective in May 2018. Subsequent to the third quarter of 2018, we did not provide any services to our primary customer in Argentina under the transition agreement or otherwise, and we did not generate any material revenue from our Argentina operations in the fourth quarter of 2018.

Customer demand for our services depended primarily upon the capital and operating spending of oil and gas exploration and production companies and the level of drilling activity in the regions we serve. A significant portion of our revenue came from a relatively small number of customers.

Competition

During a portion of 2018, we provided services in the U.S. and Argentina, both highly competitive markets, with competitors comprised of both small and large companies. Our revenues and earnings can be affected by numerous factors, including changes in competition, fluctuations in drilling and completion activity, perceptions of future prices of oil and gas, government regulation, disruptions caused by weather and general economic conditions. We believe the principal competitive factors are price, performance, service quality, safety, response time and breadth of services. During 2018, our primary competitors in Argentina included Schlumberger, Halliburton, Weatherford, Baker Hughes, Calfrac Well Services and San Antonio International and other oilfield service companies. During a portion of 2018, in the United States, we competed against many of the same competitors as in Argentina but in addition, we also faced strong competition from many independent pressure pumping companies. We also competed with various other regional and local providers within each of our geographic markets for products and services.

Markets

United States

In May 2017, our first U.S. spread commenced operations in Oklahoma. In October 2017, our second U.S. spread commenced operations in Oklahoma. The market in this region has been concentrated around wells being drilled in the Scoop, Stack, Cana-Woodford, Mississippian Lime and Springer plays. Activity in this region accelerated in late 2016 and 2017, and on into the first quarter of 2018. According to Baker Hughes' North America Rotary Rig Count data, in early March 2018 there were 124 rigs operating in Oklahoma as compared to 98 rigs operating in early March 2017. Rig count in Oklahoma was 108 at the end of March 2019, dropping from 140 rigs operating at the end of 2018.

Argentina

We operated an oilfield services business in Argentina since December 2014. Our first full year of operations was 2015. During 2018, we marketed three service offerings in Argentina: (1) pressure pumping, (2) coiled tubing and (3) field management. The majority of our revenue came from the pressure pumping market which can be broken into three sub-markets, (1) conventional wells, (2) tight gas wells and (3) unconventional wells. Generally, the conventional wells were serviced with 3-5 pumping units whereas the tight gas wells required 8-10 pumping units. The unconventional wells in Argentina required anywhere from 16 to 24 pumping units. In 2015, we had sufficient pumping capacity to participate in the conventional well market. In 2016, we expanded our capacity and had the capacity to serve customers in the tight gas market. In the second quarter of 2017, we entered into a two-year contract with the largest operator in Argentina to provide services for their tight gas completions program. During the course of providing services under that contract, we incurred losses due to lower than expected utilization of our assets, higher than expected third-party costs incurred in order to provide the bundled services contemplated under the contract, and other factors. We engaged in negotiations with our primary customer in Argentina to improve the terms of the agreement, and in June 2018, we finalized the terms of a transition agreement with improved commercial terms. We operated under the transition agreement with our primary customer in Argentina beginning May 2018 and we continued to provide services under that agreement during the third quarter of 2018. Subsequent to the third quarter of 2018, we have not provided any services to our primary customer in Argentina under the transition agreement or otherwise, and we did not generate any material revenue from our Argentina operations since the third quarter of 2018.

Our coiled tubing services supported our pressure pumping business, including the drill out of frac plugs, wash-downs, chemical treatments and workover activity. We provided these services to the conventional, tight gas and unconventional well markets in Argentina.

In 2018, our field management business consisted of various degrees of subsurface analysis derived from the data received from clients or otherwise acquired. The different forms of data include geophysical, geo-mechanical, core samples and other information provided by our customers and data acquired, processed and interpreted by our team including real time fiber optic information data gathered from pressure gauges installed in the wells. This market was driven by exploration and step-out development in new regions or in mature areas where our customers look to better understand the production associated with older wells.

The Baker Hughes rig count noted drilling rig count in Argentina peaked at 113 in 2014, bottomed at 52 in January 2017 and was 68 in January 2018. During 2018, rig count topped at 75 rigs in September and ended the year with 74. The rig count is an indicator of activity in Argentina which typically drives the utilization and pricing of services we provided.

Potential Liabilities and Insurance

Prior to the suspension in September 2018 of our U.S. well stimulation operations and significant reduction of our U.S. workforce, our operations involved a high degree of operational risk and exposed us to significant liabilities. As we continued into the fourth quarter of 2018 with our pump down operations, we continued to be exposed to significant liabilities. Even with the discontinuation of operations in Argentina in the fourth quarter of 2018, we continued to be exposed to significant liabilities. An accident involving our services or equipment, or the failure of a product sold by us, could result in personal injury, loss of life, and damage to property, equipment or the environment. Litigation arising from a catastrophic occurrence, such as fire, explosion, or well blowout, could result in substantial claims for damages.

We maintained insurance coverage of types and amounts that we believe to be customary and reasonable for companies of our size and with similar operations. In accordance with industry practice, however, we do not maintain insurance coverage against all the operating risks to which our business was exposed. Therefore, there is a risk our insurance program may not be sufficient to cover any particular loss or all losses. Our insurance program included, among other things, general liability, excess liability, sudden and accidental pollution, contractors' pollution, equipment floater, commercial property, vehicle, workers' compensation, directors' and officers' liability, employment practices liability, and employer's liability coverage. Our insurance includes various limits and deductibles or retentions, which must be met prior to or in conjunction with recovery. Currently, we have scaled back our coverages to match with our lower or no activity levels (operational activity, reduced headcount, etc.), but maintaining coverage that we believe is sufficient to protect the Company from continued risks associated with the discontinuation of our operations.

Government Regulation

Our business is significantly affected by federal, state, provincial and local laws and other regulations. These laws and regulations relate to, among other things:

- worker safety standards;
- the protection of the environment;
- the handling and transportation of hazardous materials;
- the protection of natural and cultural resources; and
- the mobilization of our equipment to, and operations conducted at, our work sites.

Numerous permits are required for the conduct of our business and operation of our various facilities and equipment, including our trucks and other heavy equipment. These permits can be revoked, modified or renewed by issuing authorities based on factors both within and outside our control.

We cannot predict changes in the interpretation of, or changes to the policies adopted by governmental agencies in connection with the enforcement of, existing laws and regulations or how such laws, regulations and policies may be interpreted by enforcement agencies or court rulings in the future. We also cannot predict whether additional laws and regulations will be adopted, including changes in regulatory oversight, increase of federal, state or local taxes, increase of inspection costs, or the effect such changes may have on us, our businesses or our financial condition.

Environmental Matters

Our operations, and those of our customers, are subject to extensive laws, regulations and treaties relating to air and water quality, generation, storage and handling of hazardous materials, and emission and discharge of materials into the environment, and the protection of natural resources. Compliance with these environmental laws and regulations could have exposed us to significant costs and liabilities and could have caused us to incur significant capital expenditures in our operations. Failure to have complied with these laws and regulations could have resulted in the assessment of administrative, civil and criminal penalties, imposition of investigatory and remedial obligations, and the issuance of injunctions delaying or prohibiting operations. Although we have currently discontinued operations both in Argentina and in the U.S., we could remain liable for past activities. Historically, our expenditures in furtherance of our compliance with these laws, regulations and treaties have not been material, and we do not expect the cost of compliance to be material in the future; however, we can provide no guarantee that this will not change.

The primary U.S. federal environmental laws to which our operations were subject include the federal Clean Air Act ("CAA") and regulations thereunder, which regulate air emissions; the Clean Water Act ("CWA") and regulations thereunder, which regulate the discharge of pollutants in industrial wastewater and storm water runoff; the Resource Conservation and Recovery Act and regulations thereunder, which regulate the management and disposal of hazardous and non-hazardous solid wastes; and the Comprehensive Environmental Response, Compensation, and Liability Act and regulations thereunder, known more commonly as "Superfund," which imposes liability for the remediation of releases of hazardous substances in the environment. We were also subject to regulation under the U.S. federal Occupational Safety and Health Act and regulations thereunder, which regulate the protection of the safety and health of workers. Analogous state and local laws and regulations could have also applied. Similar laws and regulations existed at the national and provincial level in Argentina.

In the last several years, there has been domestic and international scrutiny of hydraulic fracturing activities, resulting in additional regulation. Domestically, the U.S. Environmental Protection Agency ("EPA") and other federal agencies, including the Bureau of Land Management ("BLM") have finalized rules or made proposals that would subject hydraulic fracturing to further regulation and could restrict the practice of hydraulic fracturing. Any new federal, state or local restrictions on hydraulic fracturing that may be imposed in areas in which we conduct business could potentially result in increased compliance costs for us or our customers, or delays in development or restrictions on our operations or the operations of our customers, which in turn could have an adverse effect on our business and results of operations.

In addition, from time to time regulators in both the U.S. and Argentina have taken steps to restrict emissions of carbon dioxide, methane, and other greenhouse gases based on determinations by the scientific community that such emissions are contributing to climate change. Initiatives to date have generally focused on the development of cap-and-trade and/or carbon tax programs. A cap-and-trade program generally would cap overall greenhouse gas emissions on an economy-wide basis and require major sources of greenhouse gas emissions or major fuel producers to acquire and surrender emission allowances. Carbon taxes could likewise affect us by being based on emissions from our equipment and could indirectly affect us by increasing operating costs for our customers. Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address greenhouse gas emissions would impact our business, any such future laws and regulations imposing reporting obligations on, or limiting emissions of greenhouse gases from, our equipment and operations could require us to incur costs to reduce emissions of greenhouse gases associated with our operations. Severe limitations on greenhouse gas emissions could also adversely affect demand for oil and natural gas, which could decrease demand for our services and have a material adverse effect on our profitability, financial condition and liquidity.

Raw Materials

During 2018, we purchased various raw materials and component parts in connection with delivering our services. These materials were generally, but not always, available from multiple sources and were subject to price volatility. While we generally did not experience significant long-term shortages of these materials, we had from time to time experienced temporary shortages of particular raw materials.

Cyclical Nature of Our Industry

We operated in a highly cyclical industry. The key factor that drove demand for our services and that drives demand in our industry is the level of drilling activity by E&P companies, which in turn depends largely on the current and anticipated economics of new well completions. Global supply and demand for oil and the domestic supply and demand for natural gas is critical in assessing industry outlook. Demand for oil and natural gas is cyclical and subject to large, rapid fluctuations. E&P companies tend to increase capital expenditures in response to increases in oil and natural gas prices, which generally result in greater revenues and profits for oilfield service companies such as ours. Increased capital expenditures also ultimately lead to greater production, which historically resulted in increased supplies and reduced prices which in turn tend to reduce demand for oilfield services. For these reasons, the results of our operations can fluctuate from quarter to quarter and from year to year.

Seasonality

Seasonal weather and severe weather conditions are capable of temporarily impairing our operations by reducing our ability to operate for certain time periods, thereby reducing demand for our services.

Employees

At December 31, 2018, we had approximately 97 employees, all of which were full-time employees. As of December 31, 2018, approximately 93% of our Argentine employees and none of our U.S. employees were represented by unions under collective bargaining agreements. As of April 15, 2019, we have approximately 9 employees in Argentina. As a result of our termination of all field level employees in the U.S., as of April 15, 2019, we had approximately 5 employees.

Facilities

Our principal executive offices are located at 1773 Westborough Drive, Suite 110, Katy, Texas 77449. In addition, we own or lease additional facilities in the various areas in which we operate and maintain assets. For more information about our facilities, please read Part 1 – Item 2 – "Properties."

Intellectual Property

We have registered with the United States Patent and Trademark Office for the following trademarks: Geo-Predict® and Geo-Iteration®. We have not filed any applications for the registration of our trademarks in foreign jurisdictions but may do so in the future as we deem necessary to protect our business and / or our patent value.

Research and Development

The Company has invested in research activities related to our fiber optics technology and in our latest generation turbine-powered pressure pumping technology. Since the research efforts around the initial configuration of the turbine-powered pressure pumping were substantially completed in 2016, our investments have decreased substantially.

Corporate Information

We are a Nevada corporation. We were formed in 2003 in connection with the domestication of a predecessor from the Province of Ontario to Nevada. Our principal executive offices are located at 1773 Westborough Drive, Suite 110, Katy, Texas 77449, and our main telephone number at that address is (281) 531-7200. Our website is available at www.ecostim-es.com. Investors should also note that we may announce material financial information in our filings with the U.S. Securities and Exchange Commission (the "SEC"), press releases and public conference calls. Based on guidance from the SEC, we may use the investor relations section of our website to communicate with our investors. It is possible that the financial and other information posted there could be deemed to be material information. Information contained on or available through our website is not part of or incorporated by reference into this Form 10-K or any other report we may file with the SEC, except to the extent explicitly stated in any such report.

We file our reports, proxy statements and other information with the SEC. The SEC maintains an internet site that contains all reports, proxy statements and other information that we file electronically with the SEC. The address of that website is http://www.sec.gov. We also make available free of charge on our internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such reports with, or furnish them to, the SEC. Additionally, we make available free of charge on our internet website:

- our Code of Business Conduct and Ethics, which includes our Financial Code of Ethics for our Chief Executive Officer and Senior Financial Officers; and

- the charters of the audit, compensation, and nominating and governance committees of the Board.

We intend to disclose changes in or waivers of our Financial Code of Ethics for our Chief Executive Officer and Senior Financial Officers and waivers of our Code of Business Conduct and Ethics for our directors or executive officers on our internet website within four business days of such change or waiver and maintained for at least 12 months, or report such changes or waivers on Item 5.05 of Form 8-K. All of these corporate governance materials are also available free of charge in print to stockholders who request them in writing addressed to Eco-Stim Energy Solutions, Inc., Attention: Investor Relations, 1773 Westborough Drive, Suite 110, Katy, Texas 77449.

Investors should be aware that while we do, at various times, communicate with securities analysts, it is against our policy to disclose to them selectively any material non-public information or other confidential information. Accordingly, investors should not assume that we agree with any statement or report issued by an analyst with respect to our past or projected performance. To the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not our responsibility.

ITEM 1A. RISK FACTORS

An investment in our securities involves a number of risks. You should carefully consider the risks described in "Risk Factors," in addition to the other information contained in this Form 10-K, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes, before investing in our securities. These risks could materially affect our business, financial condition and results of operations, and cause the trading price of our securities to decline. You could lose part or all of your investment. You should bear in mind, in reviewing this Form 10-K, that past experience is no indication of future performance. You should read the section titled "Cautionary Statements Regarding Forward-Looking Statements" for a discussion of what types of statements are forward-looking statements, as well as the significance of such statements in the context of this Form 10-K.

Risks Related To Our Business

Our working capital requirements, liquidity needs and indebtedness, and any indebtedness we may incur in the future, could restrict our operations, limit our ability to grow, and make us more vulnerable to adverse economic conditions or other adverse developments.

Any indebtedness, whether incurred in connection with acquisitions, operations or otherwise, may adversely affect our operations and limit our growth. Our obligations under the Negotiable Demand Promissory Note (the "Demand Note") we executed in favor of Eco-Lender, LLC (the "Lender"), a Delaware limited liability company and an affiliate of Fir Tree (the "Lender"), are guaranteed by our wholly owned subsidiary, EcoStim, Inc., and are secured by a security interest (subject to permitted liens) in substantially all of our personal property and the personal property of EcoStim, Inc., including 100% of the outstanding equity of our U.S. subsidiaries (including EcoStim, Inc.) and 65% of the outstanding equity of our non-U.S. subsidiaries. As of December 31, 2018, the aggregate principal amount and accrued interest outstanding under the Demand Note was approximately $8.1 million. If our obligations under the Demand Note are accelerated pursuant to their respective terms, we cannot assure you that we will have sufficient funds to repay such obligations and our other obligations arising under our indebtedness or other obligations.

Our level of indebtedness may affect our operations in several ways, including the following:

- increasing our vulnerability to general adverse economic and industry conditions or other adverse developments;
- the covenants that are contained in the agreements governing our indebtedness could limit our ability to borrow funds, dispose of assets, pay dividends and make certain investments;
- our debt covenants could also affect our flexibility in planning for, and reacting to, changes in the economy and in our industry;
- any failure to comply with the financial or other covenants of our debt, including covenants that impose requirements to maintain certain financial ratios, could result in an event of default, which could result in some or all of our indebtedness becoming immediately due and payable;
- our level of debt could impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or other general corporate purposes; and
- our business may not generate sufficient cash flow from operations to enable us to meet our obligations under our indebtedness, and we may have difficulty making debt service payments on such indebtedness as payments become due.

In addition, we have incurred significant operating losses during the twelve months ended December 31, 2018 and incurred a consolidated net loss of $87.9 million.

Our limited operations, limited cash flows and existing obligations to third parties could significantly limit our alternatives, and we cannot assure you that bankruptcy will not be filed.

In September 2018, we completed work under our pressure pumping contract with our primary U.S. customer. Given the weakness of the U.S. well stimulation market, in September 2018 we elected to suspend our U.S. well stimulation operations and significantly reduce our U.S. workforce in alignment with potential near-term opportunities, including pump down and miscellaneous pumping services. During the fourth quarter of 2018 and on into the first quarter of 2019, we conducted one pump down operation for a customer in the Permian basin. We actively pursued the sale of a substantial majority of the equipment, inventory and other operating assets relating to our U.S. operations and did not conduct any well stimulation operations in the U.S. in the fourth quarter of 2018. In addition, we do not expect that our U.S. operations will generate any material revenue in future periods unless we are able to obtain access to additional third-party capital to fund our future operations on reasonable terms or are otherwise able to consummate a strategic transaction.

We have incurred significant operating losses during 2018, and as of December 31, 2018, we had a working capital deficit of $5.5 million. Following the suspension of our U.S. well stimulation operations, we have sold a substantial majority of the equipment, inventory and other operating assets relating to our U.S. operations. We currently intend to use the proceeds from such sales to reduce our outstanding liabilities and improve our liquidity, however, we can provide no assurances as to our ability to successfully negotiate the resolution of outstanding creditor claims or our ability to negotiate the resolution of such claims on favorable terms. In addition, we do not have access to a working capital facility and may not have access to other sources of external capital on reasonable terms or at all. If we are unable to obtain a sufficient amount of proceeds from asset sales or funds from other sources, we may not be able to satisfy our working capital requirements, indebtedness and other obligations.

It is possible that our Demand Note could be called or creditor claims could be asserted that result in the Company becoming party to bankruptcy filings, whether voluntarily or involuntarily. For the duration of any such bankruptcy case or cases, our operations and our ability to execute our business strategy will be subject to risks and uncertainties associated with bankruptcy and additional costs and expenses associated with bankruptcy. The associated risks and uncertainties include our ability to operate within the restrictions and the liquidity limitations imposed by bankruptcy; obtain bankruptcy court approval with respect to motions filed in the bankruptcy cases from time to time; develop, prosecute, confirm and consummate a plan of reorganization or liquidation; and fund and execute on a business plan. We would also be subject to risks and uncertainties with respect to the actions and decisions of the creditors and other third parties who have interests in the bankruptcy case that may be inconsistent with our plans.

Following the third quarter of 2018, we have not provided any services to our customer in Argentina, we did not generate any material revenue from our Argentina operations in the fourth quarter of 2018, and our contemplated sale of assets in Argentina may not be consummated due to an inability to comply with our sale agreement and the legal and local administrative risks.

In Argentina, we have been operating under a transition agreement with our primary customer since May 2018 and continued to provide services under that agreement during the third quarter of 2018. Subsequent to the third quarter of 2018, we have not provided any services to our primary customer in Argentina under the transition agreement or otherwise, and we did not generate any revenue from our Argentina operations in October 2018. We are not currently pursuing new work in Argentina, , and we do not expect to generate any material revenue from our Argentina operations in the fourth quarter of 2018 or in future periods. As a result, our Argentina operations may require access to additional capital, which may not be available on reasonable terms or at all. If we are unable to obtain a sufficient amount of funds, we may not be able to satisfy the working capital requirements, indebtedness or other obligations of our operations in Argentina.

The Company has entered into an agreement with an unrelated third party to dispose of substantially all of the assets and equipment used in the Company's operations in Argentina. The transaction is closing in phases over approximately a 90 day period, subject to certain closing conditions. If these closing conditions are not met or are significantly delayed, the process of closing operations in Argentina will be delayed or terminated, resulting in additional costs and we may not be able to satisfy the working capital requirements, indebtedness or other obligations of our operations in Argentina.

The loss of key personnel could adversely affect our ability to efficiently sell our assets and seek to dissolve, liquidate and wind up.

We intend to rely on a few individuals in key management roles as we sell our remaining assets and seek to dissolve, liquidate and wind up the Company. Loss of one or more of these key individuals could hamper the efficiency or effectiveness of these processes.

We are required to evaluate our internal control over financial reporting in accordance with the Sarbanes-Oxley Act.

Although we have been required to incur costs and require management resources to evaluate our internal control over financial reporting as required under the Sarbanes-Oxley Act in the past, we currently do not expect to file any further reports with the SEC. Should we be required to continue such reporting, we would need to conduct such evaluations in respect of those filings. Any failure to comply or any adverse result from such evaluation may have an adverse effect on the results of our audit.

Legal, labor or creditor claims can cause delay and additional costs associated with the sale of assets and ultimate liquidation of the Company.

Unresolved legal, labor or creditor claims can add additional costs and delays in our plan to sell assets and ultimately liquidate the Company. Creditor claims in the U.S. can trigger involuntary bankruptcy which could result in additional costs and delays in our plan to liquidate.

Fir Tree, in their position as majority shareholder, could call their Demand Note, and other actions that could cause the Company to be unable to make any payments to holders of common stock.

Fir Tree, as majority owner of the Company's outstanding common stock, could call their Demand Note demanding payments, which could cause the Company to limit any distributions or could cause the Company to file bankruptcy protection.

Risks Related to the Oil and Natural Gas Industry

The oil and gas industry is intensely competitive.

The oil and gas industry is highly competitive, and most of our potential competitors have greater financial resources than we do. Our ability to renew or replace existing contracts with our customers at rates sufficient to maintain or improve current revenue and cash flows could be adversely affected by the activities of our competitors and our customers. If our competitors increase the resources they devote to the development and marketing of competitive services or decrease the prices at which they offer their services, we may be unable to compete effectively. Some of these competitors may expand or construct newer, more powerful or more flexible well stimulation fleets that would create additional competition for us. Furthermore, reductions in drilling activity in markets such as North America may drive other oilfield services companies to relocate their equipment to the regions outside the U.S. in which we operate or intend to operate. Such increase in supply relative to demand could negatively impact pricing and utilization of our services. All of these competitive pressures could have a material adverse effect on our business, results of operations and financial condition. There can be no assurance that additional competitors will not enter markets served or proposed to be served by us, that we will be able to compete successfully, or that we will have adequate funds to compete.

Regulatory compliance costs and restrictions, as well as delays in obtaining permits by the customers for their operations, such as for well stimulation and pressure pumping, or by us for our operations, could impair our business.

Our operations and the operations of our customers are subject to or impacted by a wide array of regulations in the jurisdictions in which our and their operations are located. As a result of changes in regulations and laws relating to the oil and natural gas industry, including well stimulation, our operations or the operations of our customers could be disrupted or curtailed by governmental authorities. The high cost of compliance with applicable regulations may cause customers to discontinue or limit their operations and may discourage companies from continuing development activities. As a result, demand for our services could be substantially affected by regulations adversely impacting the oil and natural gas industry.

Our operations are subject to hazards and environmental risks inherent in the oil and natural gas industry.

Historically, we have been a provider of well stimulation and pressure pumping services, a process involving the injection of fluids—typically consisting mostly of water and also including several chemical additives—as well as sand in order to create fractures extending from the well bore through the rock formation to enable oil or natural gas to move more easily through the rock pores to a production well. In addition, we have provided a range of services to onshore oil and natural gas exploration and production operations, consisting of, among other things, coiled tubing services. Risks inherent to our industry create the potential for significant losses associated with damage to the environment or natural resources, such as the potential for contamination of drinking water resources.

We are subject to extensive environmental, worker health and safety laws and regulations that may subject us to substantial liability or require us to take actions that will adversely affect our results of operations.

The oil and natural gas industry is significantly affected by stringent and complex federal, state and local laws and regulations concerning the discharge of substances into the environment or otherwise relating to environmental protection and worker health and safety matters. The cost of compliance with these laws can be significant. Failure to properly handle, transport or dispose of these materials or otherwise conduct our operations in accordance with these and other environmental laws could expose us to substantial liability for administrative, civil and criminal penalties, cleanup and site restoration costs and liability associated with releases of such materials, damages to natural resources and other damages, as well as potentially impair our ability to conduct our operations. We could be exposed to liability for cleanup costs, natural resource damages and other damages under these and other environmental laws. Such liability can be on a strict, joint and several liability basis, without regard to fault. Liability may be imposed as a result of our conduct that was lawful at the time it occurred or the conduct of, or conditions caused by, prior operators or other third parties. Environmental laws and regulations have changed in the past, and they are likely to change in the future. If existing environmental requirements or enforcement policies change and become more stringent, we may be required to make significant unanticipated capital and operating expenditures.

The adoption of climate change legislation or regulations restricting emissions of greenhouse gases could result in increased operating costs and reduced demand for oil and natural gas.

In recent years, many national, federal, state and local governments have taken steps to reduce emissions of greenhouse gases. For example, in the United States, the EPA has finalized a series of greenhouse gas monitoring, reporting and emissions control rules for the oil and natural gas industry, and the U.S. Congress has, from time to time, considered adopting legislation to reduce emissions including carbon dioxide and methane. In December 2015, the United States and Argentina participated in the 21st Conference of the Parties of the United Nations Framework Convention on Climate Change in Paris, France. The resulting Paris Agreement calls for the parties to undertake "ambitious efforts" to limit the average global temperature, and to conserve and enhance sinks and reservoirs of greenhouse gases. The Agreement, which went into effect in November 2016, establishes a framework for the parties to cooperate and report actions to reduce greenhouse gas emissions. However, in August 2017, the U.S. State Department officially informed the United Nations of the intent of the United States to withdraw from the Paris Agreement. The Paris Agreement provides for a four-year exit process beginning when it took effect in November 2016, which would result in an effective exit date of November 2020. The United States' adherence to the exit process and/or the terms on which the United States may re-enter the Paris Agreement or a separately negotiated agreement are unclear at this time. In addition, we cannot predict what additional steps, if any, Argentina may take as a result of participation in the Paris Agreement. Argentina has also passed a number of energy-efficiency related measures as well as requirements for the blending of ethanol and other biofuels with petroleum fuels. These measures could reduce demands for petroleum products, which in turn could have an adverse impact on demand for our services.

Moreover, climate change may cause more extreme weather conditions such as more intense hurricanes, thunderstorms, tornadoes and snow or ice storms, as well as rising sea levels and increased volatility in seasonal temperatures. Extreme weather conditions can interfere with our services and increase our costs and damage resulting from extreme weather. At this time, we are unable to determine the extent to which climate change may lead to increased storm or weather hazards affecting our operations.

New technology may cause us to become less competitive.

The oilfield services industry is subject to the introduction of new drilling and completion techniques and services using new technologies, some of which may be subject to patent protection. If competitors and others use or develop new technologies in the future that are more efficient or productive than ours, we may lose market share or be placed at a competitive disadvantage.

The industry is affected by excess equipment inventory levels.

Because of the long-life nature of oilfield service equipment and the lag between when a decision to build additional equipment is made and when the equipment is placed into service, the inventory of oilfield service equipment in the industry does not always correlate with the level of demand for service equipment.

Compliance with governmental regulations may impact our or our customers' operations and may adversely affect our ability to sell our assets.

Our historic operations were dependent on our customers' decisions to develop and produce oil and natural gas reserves and on the regulatory environment in which our customers and we operate. The ability to produce oil and natural gas can be affected by the number and productivity of new wells drilled and completed, as well as the rate of production and resulting depletion of existing wells. Advanced technologies, such as horizontal drilling and well stimulation and pressure pumping, improve total recovery, but they also result in a more rapid production decline and may become subject to more stringent regulations in the future. Similarly, the market for our assets is affected by these factors.

Access to prospects is also important to customers for our historic services and such access may be limited because host governments do not allow access to the reserves or because another oil and natural gas exploration company owns the rights to develop the prospect. Government regulations and the costs incurred by oil and natural gas exploration companies to conform to and comply with government regulations may also limit the quantity of oil and natural gas that may be economically produced. This could lead customers to curtail their operations and result in a decrease in demand for our assets, which in turn could adversely affect our ability to sell our assets.

Any of these factors could have a material adverse effect on our results of operations.

Legislative and regulatory initiatives relating to well stimulation could result in increased costs and additional operating restrictions or delays for the operations of our customers.

Many national, provincial, and local governments and agencies have adopted laws and regulations or are evaluating proposed legislation and regulations that are focused on the extraction of shale gas or oil using well stimulation. Well stimulation is a treatment routinely performed on oil and gas wells in low-permeability reservoirs. Specially engineered fluids are pumped at high pressure and rate into the reservoir interval to be treated, causing cracks in the target formation. Proppant, such as sand of a particular size, is mixed with the treatment fluid to keep the cracks open when the treatment is complete. In response to concerns related to potential impacts to the environment and natural resources from well stimulation, governmental authorities have issued new rules and regulations governing the practice and are also pursuing studies related to its potential effects. Also, some national, state, and local governments have adopted bans or other measures restricting well stimulation activities. For example, the Province of Neuquén in Argentina, where we operate, has approved a set of rules regarding the extraction of shale oil and gas. These rules require, amongst other things, that operators performing well stimulation obtain permits prior to commencing drilling activities and file reports with the provincial government regarding the chemicals used in the well stimulation process and an analysis of the flowback water returning to the surface. In certain regions, the indigenous people have voiced their opposition to the increased shale development although to date these protests have been peaceful and have yet to disrupt activity in a meaningful way. In addition, several other provinces and local governments have voted to ban well stimulation within their borders, and some groups continue to advocate for a national ban on well stimulation in Argentina. The EPA and states, including Oklahoma, have also taken steps to regulate hydraulic fracturing. There has been increasing public controversy regarding hydraulic fracturing with regard to the use of fracturing fluids, induced seismic activity, impacts on drinking water supplies, use of water and the potential for impacts to surface water, groundwater and the environment generally. Legislative or regulatory changes could cause customers to incur substantial compliance costs. These factors could adversely affect customers and the market for our assets, and our historic compliance or the consequences of any failure to comply by us could have a material adverse effect on our financial condition and results of operations. At this time, it is not possible to estimate the impact on our business or assets of newly enacted or potential national, state or local laws governing hydraulic fracturing.

Risks Related to Our Operations in Argentina and Other Foreign Jurisdictions

Our business may be impacted by economic conditions in Argentina.

Our business may be impacted by economic conditions prevailing in Argentina. The Argentine economy has experienced significant volatility in past decades, including numerous periods of low or negative growth and high and variable levels of inflation and devaluation. If economic conditions in Argentina contract, or if the Argentine government's measures to attract or retain foreign investment and international financing in the future are unsuccessful, such developments could adversely affect our financial condition, results of operations, and cash flows.

Argentine economic conditions are dependent on a variety of factors, including (but not limited to) the following:

- international demand for Argentina's principal exports;
- international prices for Argentina's principal commodity exports;
- stability and competitiveness of the Argentine Peso against foreign currencies;
- levels of consumer consumption and foreign and domestic investment and financing; and
- the rate of inflation.

In recent years, Argentina has confronted inflationary pressure. Increased rates of inflation in Argentina could increase our cost of operation and may negatively impact our results of operations and financial condition. There can be no assurance that inflation rates will not be higher in the future.

In addition, Argentina's economy is vulnerable to adverse developments affecting its principal trading partners. A significant decline in the economic growth of any of Argentina's major trading partners, such as Brazil, China or the U.S., could have a material adverse impact on Argentina's balance of trade and adversely affect Argentina's economic growth and may consequently adversely affect our financial condition, results of operations and cash flows. The Argentine Peso has been subject to significant devaluation in the past and may be subject to significant fluctuations in the future, consequently affecting our financial condition, results of operations and cash flows (see additionally Part I – Item 1A. Risk Factors – "*We may be exposed to fluctuations in foreign exchange rates.*") Until we complete the sale of our business in Argentina, we remain subject to these risks.

The Argentinian government has fixed oil and gas prices for domestic producers. Any decrease or removal of the fixed price could result in a corresponding reduction in drilling activity in Argentina, which could adversely impact our results of operations, financial condition and cash flows.

The Argentinian government has historically fixed the price of oil and natural gas. More recently, the government has been supportive of fixed prices for natural gas but has indicated a desire to allow the oil prices to adjust to international prices. We have no assurance that the government will not lower the fixed prices for oil or natural gas in the future or remove them altogether. If the fixed price for oil or natural gas were to be reduced or removed, there may be less drilling activity in Argentina, which could have a corresponding adverse effect on the demand for our products or services.

Certain risks are inherent in any investment in a company operating in an emerging market such as Argentina.

Argentina is an emerging market economy and investing in emerging markets generally carries risks. These risks include political, social and economic instability that may affect Argentina's economic results which can stem from many factors, including the following:

- high interest rates;
- abrupt changes in currency values;
- high levels of inflation;
- exchange controls;
- wage and price controls;
- regulations to import equipment and other necessities relevant for operations;
- changes in governmental economic or tax policies; and
- political and social tensions.

Any of these factors may adversely affect our financial condition and results of operation.

The Argentine economy has been adversely affected by economic developments in other markets.

Financial and securities markets in Argentina, and the Argentine economy, are influenced by economic and market conditions in other markets worldwide. Considering the current international turmoil, Argentina's economy remains vulnerable to external shocks, including those relating to or similar to the global economic crisis that began in 2008 and the more recent uncertainties surrounding European sovereign debt. Although economic conditions vary from country to country, investors' perceptions of events occurring in one country may substantially affect capital flows into and investments in securities from issuers in other countries, including Argentina.

Consequently, there can be no assurance that the Argentine financial system and securities markets will not continue to be adversely affected by events in developed countries' economies or events in other emerging markets, which could in turn adversely affect the Argentine economy and, as a consequence, the Company's results of operations and financial condition.

The implementation of new export duties, other taxes and import regulations could adversely affect our results.

Changes in export duties, taxes and import regulations may negatively affect our business, financial condition and cash flows. For example, in 2017, the Argentine government adopted an import procedure (Decree 629) which created a regime of importation of used goods in the hydrocarbon industry to expedite the importation of used equipment. We cannot assure you that these taxes and import regulations will continue or be changed in the future or that other new taxes or import regulations will not be imposed.

We may be exposed to fluctuations in foreign exchange rates.

Our results of operations are exposed to currency fluctuation and any devaluation of the Argentine Peso against the U.S. dollar and other hard currencies may adversely affect our business and results of operations. The value of the Argentine Peso has fluctuated significantly in the past and may do so in the future. We are unable to predict whether, and to what extent, the value of the Argentine Peso may further depreciate or appreciate against the U.S. dollar and how any such fluctuations would affect our business.

We are subject to exchange and capital controls.

In the past, Argentina imposed exchange controls and transfer restrictions substantially limiting the ability of companies to retain foreign currency or make payments abroad. Although the Macri government lifted exchange controls and liberalized capital controls as described above, there can be no assurances regarding future modifications to exchange and capital controls. Exchange and capital controls could adversely affect our financial condition, results of operations and cash flows, and our ability to meet our foreign currency obligations and execute our financing plans.

Operating internationally subjects us to significant risks and regulations inherent in operating in foreign countries.

We may conduct operations in a number of countries as part of our growth strategy. Our international operations will be subject to a number of risks inherent to any business operating in foreign countries, and especially those with emerging markets, including the following risks, among others:

- government instability, which can cause investment in capital projects by our potential customers to be withdrawn or delayed, reducing or eliminating the viability of some markets for our services;
- potential expropriation, seizure, nationalization or detention of assets, such as the 2012 nationalization of Repsol S.A.'s interest in YPF;
- difficulty in repatriating foreign currency received in excess of local currency requirements;
- foreign currency exchange rate fluctuations, import/export tariffs and quotas;
- civil uprisings, riots and war, which can make it unsafe to continue operations, adversely affect both budgets and schedules and expose us to losses;
- availability of suitable personnel and equipment, which can be affected by government policy, or changes in policy that limit the importation of qualified crewmembers or specialized equipment in areas where local resources are insufficient;
- decrees, laws, regulations, interpretation and court decisions under legal systems, which are not always fully developed and which may be retroactively applied and cause us to incur unanticipated and/or unrecoverable costs as well as delays which may result in real or opportunity costs; and
- terrorist attacks, including kidnappings of our personnel.

We cannot predict the nature and the likelihood of any such events. However, if any of these or other similar events should occur, it could have a material adverse effect on our financial condition, results of operation and cash flow.

Certain of the equipment that we use in certain foreign countries may require prior U.S. government approval in the form of an export license and may otherwise be subject to tariffs and import/export restrictions. The delay in obtaining required governmental approvals could affect our ability to timely commence a project, and the failure to comply with all such controls could result in fines and other penalties.

We may be subject to taxation in many foreign jurisdictions and the final determination of our tax liabilities involves the interpretation of the statutes and requirements of taxing authorities worldwide. Our tax returns will be subject to routine examination by taxing authorities, and these examinations may result in assessments of additional taxes, penalties and/or interest.

Our overall success as an international company may depend, in part, upon our ability to succeed in differing economic, social and political conditions. We may not continue to succeed in developing and implementing policies and strategies that are effective in each location where we do business, which could negatively affect our profitability.

Our international operations involve the use of foreign currencies, which subjects us to exchange rate fluctuations, difficulty in repatriating foreign currencies and other currency risks.

We and our foreign subsidiaries from time to time will hold foreign currencies. Exchange rate fluctuations will subject us to currency risk as well as to other risks sometimes associated with international operations. In the future, we could experience fluctuations in financial results from our operations outside the U.S., and there can be no assurance that payments received in foreign currencies can be repatriated to the U.S. or that we will be able, contractually or otherwise, to reduce the currency risks associated with our international operations.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar foreign anti-bribery laws.

The United States Foreign Corrupt Practices Act (the "FCPA") and similar worldwide anti-bribery laws generally prohibit companies and their intermediaries from making, offering or authorizing improper payments to non-U.S. government officials for the purpose of obtaining or retaining business. We do business and may do additional business in the future in countries or regions where strict compliance with anti-bribery laws may conflict with local customs and practices.

As a company subject to compliance with the FCPA, our business may suffer and we may be subject to competitive disadvantages because our efforts to comply with U.S. laws could restrict our ability to do business in foreign markets relative to our competitors who are not subject to U.S. law. Additionally, our business plan involves establishing close relationships with stakeholders in certain foreign markets. Any determination that we or foreign shareholders, directors or officer's partners have violated the FCPA may adversely affect our business and operations.

Violations of anti-bribery laws (either due to our acts or our inadvertence) may result in criminal and civil sanctions and could subject us to other liabilities in the U.S. and elsewhere. Even allegations of such violations could disrupt our business and result in a material adverse effect on our business and operations.

Risks Related to Ownership of Our Common Stock

We have incurred, and expect to continue to incur, increased costs and risks as a result of being a public company.

As a public company, we are required to comply with most, but not all, of the Sarbanes-Oxley Act of 2002 ("SOX"), as well as rules and regulations implemented by the SEC. Changes in the laws and regulations affecting public companies, including the provisions of SOX and rules adopted by the SEC, have resulted in, and will continue to result in, increased costs to us as we respond to these requirements. Given the risks inherent in the design and operation of internal controls over financial reporting, the effectiveness of our internal controls over financial reporting is uncertain. If our internal controls are not designed or operating effectively, we may not be able to issue an evaluation of our internal control over financial reporting as required. Investors may lose confidence in the reliability of our financial statements, which could cause the market price of our common stock to decline and which could affect our ability to run our business as we otherwise would like to. New rules could also make it more difficult or costlier for us to obtain certain types of insurance, including directors' and officers' liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the coverage that is the same or similar to our current coverage. The impact of these events could also make it more difficult for us to attract and retain qualified persons to serve on our Board, the committees of our Board, and as executive officers. We cannot predict or estimate the total amount of the costs we may incur or the timing of such costs to comply with these rules and regulations.

Compliance with SOX requirements will continue to strain our limited financial and management resources.

We incur significant legal, accounting and other expenses in connection with our status as a reporting public company. SOX and rules subsequently implemented by the SEC have imposed various requirements on public companies, including corporate governance practices. As such, our management and other personnel need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased our legal and financial compliance costs and made some activities more time-consuming and costly. In addition, SOX requires, among other things, that we maintain effective internal controls for financial reporting and disclosure of controls and procedures. Our testing may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses. Our compliance with Section 404 of SOX requires that we incur substantial accounting expense and expend significant management efforts. We may need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge. Moreover, if we are not able to comply with the requirements of Section 404 of SOX in a timely manner, or if we or our independent registered public accounting firm identifies deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources.

We may continue to incur costs and expenses that will reduce any amounts available for distribution to our stockholders.

Claims, liabilities and expenses, severance payments, directors' and officers' insurance, income, payroll foreign, state and local taxes, legal, accounting and consulting fees and general and administrative expenses, will continue to be incurred by us as we sell our remaining assets and prepare to wind down. We can only estimate the aggregate amount of these expenses, but these expenses will reduce the amount of funds available for distribution to our stockholders.

We may continue to incur costs and expenses if we are unable to cease to file our annual, quarterly and current reports with the SEC.

Because of the costs associated with preparing and filing our annual, quarterly and current reports under applicable securities laws, we intend to take actions to terminate or suspend our ongoing reporting obligations under the Exchange Act. Specifically, the Nasdaq filed a Notification of Removal from the Listing and/or Registration on Form 25 with the SEC on February 26, 2019 to remove the common stock listing on Nasdaq and withdraw the common stock from registration under Section 12(b) pursuant to Rule 12d2-2(b) of the Exchange Act. Pursuant to Rule 12d2-2(d)(1) of the Exchange Act, the application on Form 25 became effective with respect to the delisting of the common stock ten (10) days after the Form 25 was filed with the SEC. The Company has implemented a reverse stock split which reduced the number of shareholders of record. This allows the Company to deregister the common stock and reduce ongoing expenses with respect to filings under the Exchange Act. After the filing of this Annual Report on Form 10-K for the fiscal year ended December 31, 2018, and the filing of Form 15 to suspend the Company's reporting obligations under Section 15(d) of the Exchange Act, we expect that the Company will no longer be subject to certain provisions of the Exchange Act. However, if we are required to continue to file annual, quarterly or current reports with the SEC, or if we again become subject to such reporting obligations, we will continue to incur the associated costs and expenses, which are substantial.

Fir Tree may have significant influence over us, including influence over decisions that require stockholder approval, which could limit your ability to influence the outcome of key transactions, including a change of control.

As of December 31, 2018, Fir Tree beneficially owned approximately 76.1% of our outstanding common stock. In addition, Fir Tree currently has the right to nominate up to a total of three individuals to the Board. As a result, Fir Tree has influence over our decisions to take certain corporate actions including those specified in the Amended and Restated Stockholder Rights Agreement we have entered into with Fir Tree and certain other stockholders (the "A&R Stockholder Rights Agreement").

Moreover, Fir Tree has a contractual right to maintain its percentage ownership in our Company. Specifically, under the terms of the A&R Stockholder Rights Agreement, for so long as Fir Tree beneficially owns more than 10% of our issued and outstanding common stock (calculated on a fully diluted basis), Fir Tree, subject to certain exclusions, has a preemptive right to purchase up to the amount of any new securities we propose to issue or sell as is necessary to maintain Fir Tree's percentage ownership of us. As a result, Fir Tree's preemptive right will apply to any securities we issue during an underwritten public offering. Therefore, while other holders of our stock would risk suffering a reduction in percentage ownership in connection with a new issuance of securities by us, Fir Tree would, through this preemptive right, have the opportunity to avoid a reduction in percentage ownership. As long as Fir Tree continues to hold a significant portion of our outstanding common stock, it will have the ability to influence the vote in any election of directors and over decisions that require stockholder approval. Please read Part III – Item 13 – "Certain Relationships and Related Party Transactions, and Director Independence."

We could become subject to penny stock regulations and restrictions, which could make it difficult for our stockholders to sell their shares of stock in our company.

SEC regulations generally define "penny stocks" as equity securities that have a market price of less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exemptions. As of December 31, 2018, the closing price for our common stock were $0.065 per share. Although we currently meet the net tangible assets and/or the minimum revenue exemptions from the "penny stock" definition, no assurance can be given that such exemption will be maintained. If we lose the exemption, our common stock may become subject to Rule 15g-9 under the Exchange Act, which regulations are commonly referred to as the "Penny Stock Rules." The Penny Stock Rules impose additional sales practice requirements on broker-dealers prior to selling penny stocks, which may make it burdensome to conduct transactions in our shares. If our shares become subject to the Penny Stock Rules, it may be difficult to sell shares of our stock, and because it may be difficult to find quotations for shares of our stock, it may be impossible to accurately price an investment in our shares. There can be no assurance that our common stock will continue to qualify for an exemption from the Penny Stock Rules. In any event, even if our common stock continues to remain exempt from the Penny Stock Rules, we remain subject to Section 15(b)(6) of the Exchange Act, which gives the SEC the authority to restrict any person from participating in a distribution of a penny stock if the SEC determines that such a restriction would be in the public interest.

Preferences exist that would prioritize certain shareholders in the event of a Company liquidation, winding-up or dissolving of the Company.

Each share of Series A Preferred ranks senior to the Company's common stock with respect to dividend rights and rights upon the liquidation, winding-up or dissolution of the Company and has a stated value of $1,000 per share (the "Stated Value"). In the event the Company is liquidated, wound up or dissolved, or if the Company effects any Deemed Liquidation Event (as defined below), the holders of Series A Preferred are entitled to receive in respect thereof the greater of (i) the Stated Value plus any accrued and unpaid dividends thereon, (ii) the amount the holder thereof would receive if such shares of Series A Preferred were converted into common stock immediately prior to such liquidation, dissolution, winding up or Deemed Liquidation Event or (iii) a liquidating distribution equal to 1.5 times the Stated Value. A "Deemed Liquidation Event" includes certain merger or consolidation transactions, a sale of all or substantially all of the Company's assets, a change of control transaction or similar event.

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Properties

Our principal executive offices are now located at 1773 Westborough Drive, Suite 110, Katy, Texas 77449, where we lease 1,117 square foot of general office space. Prior to March 11, 2019, our executive offices were located at 2930 West Sam Houston Parkway North, Suite 275, Houston, Texas 77043, where we lease 6,577 square feet of general office space.

We lease facilities and administrative offices throughout the geographic regions in which we operate. As of December 31, 2018, we owned or leased the following principal properties:

Location	Type of Facility	Size	Leased or Owned	Monthly Lease (Approx.)	Expiration of Lease	Primary Use
2930 West Sam Houston Pkwy North, Suite 275, Houston, Texas	Corporate Office	6,577 sq. ft. building space	Leased	$ 18,569	November 30, 2019	Administrative Office
256946 E. County Road 49, Fairview, Oklahoma	Yard and Office	Approx, 13 acres, portable building	Leased	$ 23,000	March 7, 2019	US Operations

ITEM 3. LEGAL PROCEEDINGS

From time to time, we may be a party or otherwise subject to legal or regulatory proceedings or other claims incidental to or arising in the ordinary course of our business. We are not aware of any material legal or regulatory proceedings contemplated by governmental authorities.

On May 1, 2018, a collective action lawsuit was filed against Eco-Stim Energy Solutions, Inc. and certain of its subsidiaries by a former employee in the United States District Court for the Southern District of Texas (Houston Division) alleging that we failed to pay a class of workers in compliance with the Fair Labor Standards Act and seeking recovery of such wages, attorney’s fees, costs, interest and other related damages. In September 2018, this case was stayed pending resolution through arbitration proceedings among the parties. On or about May 3, 2019, both parties agreed to a mutually acceptable settlement and release agreement, with no material adverse effect on our consolidated financial position, results of operations or cash flows.

In addition, seven of our vendors have filed lawsuits against us in seven separate Texas state court actions, and two of our vendors have filed lawsuits against us and a former customer in two separate Oklahoma state court actions. All together, they are seeking to collect an aggregate of approximately $3.4 million of damages for amounts alleged to be owed by us for various goods, equipment or services alleged to have been provided by such vendors, as well as pre-judgment and post-judgment interest and attorney’s fees. In addition, certain of our vendors have filed, or have threatened to file, liens against certain assets of our former customers with respect to amounts alleged to be owed by us for various goods, equipment or services alleged to have been provided by such vendors in an aggregate amount of approximately $3.8 million. We intend to vigorously contest these matters or seek mutually agreeable settlements of the claimed amounts, and we may incur material expenses in connection with the resolution of these lawsuits and claims. We are currently not able to predict the outcome of these cases, whether they will have a material impact on our financial position, results of operations or cash flows, or whether mutually acceptable settlements and resolution can be obtained. If these matters cannot be resolved at acceptable levels, they could have a material adverse effect on our consolidated financial position, results of operations or cash flows, however we are unable to predict the effect on our consolidated financial position, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II.

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

Market Information

Our common stock, par value $0.001 per share ("common stock") was listed on the NASDAQ Capital Market under the symbol "ESES." Effective January 2, 2019, trading was suspended on the Company stock as a result of our not being in compliance with Nasdaq's Listing Rule 5550(a)(2) as the minimum bid price of the Company's common stock had been below $1.00 per share for 30 consecutive business days. Upon delisting from the NASDAQ, the shares of the common stock were traded on OTC "Pink Open Market" under the symbol "ESES".

On February 28, 2019, a reverse stock split was effected. The reverse stock split provided for the conversion and reclassification of each four outstanding shares of common stock into one share of common stock, with the holders of common stock receiving one share of common stock for each four shares they held. For the 20 trading days following our reverse stock split the shares of our common stock traded under the symbol "ESESD". The shares of our common stock resumed trading under the symbol "ESES" on March 26, 2019. Any over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Holders

As of May 7, 2019, we had approximately 126 record holders of our common stock.

Dividend Policy

Our policy has been that we retain future earnings, if any, for use in the operation and expansion of our business and, therefore, did not anticipate paying any cash dividends in the foreseeable future. However, in line with the anticipated liquidation of the Company, our Board, in its discretion, may authorize the payment of liquidating payments, if any, in the future. Subject to uncertainties inherent in the winding up of the Company's business, the Company may or may not make liquidating distributions following the liquidation to cash of its remaining non-cash assets and settlement of debts. However, the dissolution process and the payment of any distributions to stockholders involve substantial risks and uncertainties, as discussed above in "Item 1A. Risk Factors". Accordingly, it is not possible to predict the timing or aggregate size of any amount which may ultimately be distributed to Company stockholders, and no assurance can be given that such distributions, if made, will equal or exceed the estimate of net assets presented in the Statement of Net Assets accompanying this Annual Report on Form 10-K.

Securities Authorized for Issuance under Equity Compensation Plans

We have two equity incentive plans, the 2013 Stock Incentive Plan (the "2013 Plan") and the 2015 Stock Incentive Plan (the "2015 Plan"), which provide for the granting of stock-based incentive awards, including incentive stock options, non-qualified stock options, restricted stock, and phantom stock awards to employees, consultants and members of the Board. The 2013 Plan was adopted in 2012 and amended in 2013 and authorizes 1,000,000 shares to be issued under the 2013 Plan. The 2015 Plan, f/k/a "the 2014 Stock Incentive Plan," was adopted in 2014; in 2015 and in 2016 it was amended and a total of 700,000 additional shares were authorized, resulting in a maximum of 1,200,000 shares being authorized for issuance under the 2015 Plan. On June 15, 2017, at our annual meeting of stockholders (the "2017 Annual Meeting"), our stockholders approved an increase to the aggregate maximum number of shares available under the 2015 Plan by 5,000,000 shares (from 1,200,000 shares to 6,200,000 shares). On June 20, 2018, at our annual meeting of stockholders (the "2018 Annual Meeting"), our stockholders approved an increase to the aggregate maximum number of shares of common stock available under the 2015 Plan by 3,000,000 shares (from 6,200,000 shares to 9,200,000 shares). As of December 31, 2018, 256,991 shares of common stock were available for grant under the 2013 Plan and 2,075,686 shares of common stock were available for grant under the 2015 Plan. Both the 2013 Plan and the 2015 Plan have been approved by the stockholders of the Company. Currently, there is no plan to grant any additional stock-based awards. Share amounts set forth above are on a pre-stock split basis.

For additional information regarding the Stock Incentive Plans, as of December 31, 2018, please see Part II – Item 8 – Financial Statements and Supplemental Data – Notes to consolidated financial statements – Note 11 – Stock-Based Compensation.

Plan category	Equity Compensation Plan Information Number of securities to be issued upon exercise of outstanding options and restricted stock (a)	Weighted-average exercise price of outstanding options and restricted stock (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,586,661	$ 1.79	583,169
Equity compensation plans not approved by security holders	—	—	—
Total	1,586,661	$ 1.79	583,169

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

Except as previously reported on our Current Reports on Form 8-K, we did not have any sales of unregistered equity securities during the fiscal year ended December 31, 2018. There were no repurchases of shares during the year ended December 31, 2018.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes thereto included in this Form 10-K. This section contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in any forward-looking statement because of various factors, including those described in the sections titled "Cautionary Statements Regarding Forward-Looking Statements" and "Risk Factors" in this Form 10-K.

Executive Summary

General

Eco-Stim Energy Solutions, Inc. (together with its subsidiaries, the "Company," "Eco-Stim," "we" or "us") is a technology-driven independent oilfield services company that has historically offered well stimulation, coiled tubing and field management services to the upstream oil and gas industry. Our service offerings have been extended to exploration and production ("E&P") companies in the United States and Argentina.

In September 2018, we completed work under our pressure pumping contract with our primary U.S. customer. Given the current weakness of the U.S. well stimulation market, in September 2018 we elected to suspend our U.S. well stimulation operations and significantly reduce our U.S. workforce in alignment with potential near-term opportunities, including pump down and miscellaneous pumping services. Since the third quarter of 2018, we have been actively pursuing the sale of a substantial majority of the equipment, inventory and other operating assets relating to our U.S. operations, and we have now sold substantially all of the material equipment, inventory and other operating assets related to our U.S. operations and terminated all field-level employees. We currently intend to use the proceeds from any such sales to reduce our outstanding liabilities and improve our liquidity, however, there can be no assurance as to the ultimate consummation, timing or amount of proceeds generated from any such asset sales.

Specifically, during the fourth quarter of 2018, the Company completed the disposition of certain of its U.S. equipment and other operating assets to unrelated third parties in several separate transactions in exchange for aggregate cash proceeds, before commissions and selling expenses, of approximately $5.7 million. On January 24, 2019, the Company completed the disposition of certain of its U.S. equipment to an unrelated party in exchange for approximately $2.8 million of aggregate cash proceeds, before commissions and selling expenses. On February 21, 2019, the Company completed the disposition of certain of its U.S. equipment to an unrelated party in exchange for approximately $6.2 million of aggregate cash proceeds, before commissions and selling expenses. On March 14, 2019, the Company completed the disposition of certain of its U.S. equipment to an unrelated party in exchange for approximately $2.1 million of aggregate cash proceeds, before commissions and selling expenses. Net of commissions, the Company received approximately $16.8 million. In the U.S., we have sold all material equipment, inventory and other operating assets relating to our U.S. operations and terminated all field level employees.

We continue using the proceeds from any such sales to reduce our outstanding liabilities and improve our liquidity, however, there can be no assurance as to the ultimate consummation, timing or amount of proceeds generated from any such asset sales.

In Argentina, we had been operating under a transition agreement with our primary customer since May 2018 and continued to provide services under that agreement during the third quarter of 2018. Subsequent to the third quarter of 2018, we have not provided any services to our primary customer in Argentina under the transition agreement or otherwise, and have not generated any material revenue from our Argentina operations since the third quarter of 2018.

As previously disclosed in our Form 10-Q as of September 30, 2018 filed on November 14, 2018, we have been actively pursuing strategic alternatives, including alternatives for our operations in Argentina. In line with the Company's decision to sell certain assets, the Company considered whether to sell the Argentine company or sell the assets of the Argentine company in connection with shutting down our operations, either of which could result in the incurrence of material losses and expenses. On March 18, 2019, the Company signed an agreement with an unrelated third party to purchase all material machinery and equipment assets in Argentina. The transactions contemplated by this agreement are expected to close in phases over an approximate three-month period in the second quarter of 2019. Following the consummation of these transactions, the Company expects to shut down its Argentina subsidiary.

As of December 31, 2018, the Company has classified our Argentina subsidiary as discontinued operations for all periods presented in this filing. The Company made the decision, having received a letter of intent during the fourth quarter of 2018 from a third party, to sell the subsidiary. As of December 31, 2018, the Company classified certain U.S. spare parts, equipment and machinery as held for sale based on the decision by the Company to seek buyers for and sell these assets. As such, as of December 31, 2018, our Argentina subsidiary and a majority of our assets in the U.S. has been classified as held for sale. Refer to Note 17 – Assets Held for Sale-Discontinued Operations of our consolidated financial statements for additional details on the impact of these classifications.

Our common stock, par value $0.001 per share ("common stock") was previously listed on the NASDAQ Capital Market under the symbol "ESES." Effective January 2, 2019, trading was suspended on the Company stock as a result of our not being in compliance with Nasdaq's Listing Rule 5550(a)(2) as the minimum bid price of the Company's common stock had been below $1.00 per share for 30 consecutive business days. Upon delisting from the NASDAQ, the shares of the common stock were traded on OTC "Pink Open Market" under the symbol "ESES", although for the 20 trading days following our reverse stock split the shares of our common stock traded under the symbol "ESESD." The shares of our common stock resumed trading under the symbol "ESES" on March 26, 2019.

As disclosed previously in Form 8-K filed February 14, 2019, in February 2019, the Company implemented a reverse stock split to reduce the number of shareholders of record to allow the Company to deregister the common stock and reduce ongoing expenses with respect to filings under the Exchange Act. Those shareholders who, immediately following the reverse stock split, held only a fraction of a share of the Company's common stock were paid, in lieu thereof, an amount in cash equal to $0.08 (on a post-split basis) times such fraction of a share and are no longer shareholders of the Company. After the filing of this Annual Report on Form 10-K for the fiscal year ended December 31, 2018, and the filing of a Form 15 to suspend the Company's reporting obligations under Section 15(d) of the Exchange Act, the Company will no longer be subject to certain provisions of the Exchange Act. In particular, the Company's obligations to publicly file periodic and current reports with the SEC will be suspended. This will mean that our duty to file periodic reports with the SEC will be suspended, and we will no longer be classified as an SEC reporting company.

Historically, Eco-Stim was a growth-oriented, technology-driven independent oilfield services company providing well stimulation, coiled tubing and field management services to the upstream oil and gas industry. We operated three well stimulation fleets, two in the United States based out of our operations facility in Fairview, Oklahoma, and one in Argentina based out of our operations facility in Neuquén, Argentina. In the United States, we provided pressure pumping services to customers in the Anadarko Basin in Oklahoma and in the Permian Basin in West Texas and Southeast New Mexico. In Argentina, we provided services to the largest operator in the country for its tight gas completions program.

Business Segments

With the start-up of our U.S. operations during the second quarter of 2017, in accordance with ASC 280,*Segment Reporting,* we report the results of our two reportable segments. Our Chief Executive Officer evaluates the results of operations on a consolidated as well as a segment level and is the person responsible for the final assessment of performance and making key operating decisions. Discrete financial information is available for each of the segments, and the operating results of each of the operating segments are used for performance evaluation and resource allocations. We now manage our business through operating segments that are aligned with our two geographic regions; the United States and Argentina. We also report certain corporate and other non-operating activities under the heading "Corporate and Other", which primarily reflects corporate personnel and activities, incentive compensation programs and other non-operational allocable costs. For financial information about our segments, see Note 16, Segment Reporting.

Our segment operating results are frequently influenced by the number of active contracts we have in the area, and also the level of our customers' well activity which dictates the amount of activity we will have in any given period. This directly effects our revenue, but also the level of expenses we incur.

United States Segment. Beginning operations in May 2017, our U.S. segment has historically served the needs of our independent E&P customers' U.S. based operations by offering pressure pumping and field management operations services primarily operating in the Sooner Trend Anadarko Basin Canadian and Kingfisher Counties (STACK) play. Our U.S. based operations started with one U.S. based fleet. We added an additional fleet in October 2017 to accommodate an additional customer, however, upon negotiating an early release of our first U.S. fleet from our contract with our first U.S. customer due to low pricing and lower planned activity, our first spread did not provide services to customers until late April 2018. We subsequently ceased to provide services to this customer and in late May 2018, we agreed to provide our primary U.S. customer with additional dedicated horsepower and equipment, including certain of our natural gas-powered pumping units, to create what we referred to as a "super fleet" in support of a collaborative plan to improve the efficiency of our U.S. operations. As a result, in May 2018, we transitioned from operating two well stimulation fleets in the U.S. to operating a single well stimulation fleet in the U.S. providing pumping services to a single customer. In September 2018, we completed work under our pressure pumping contract with our primary U.S. customer. Given the current weakness of the U.S. well stimulation market, in September 2018 we elected to suspend our U.S. well stimulation operations and significantly reduce our U.S. workforce in alignment with potential near-term opportunities, including pump down and miscellaneous pumping services. We are currently conducting one pump down operation for a customer in the Permian basin. We have been actively pursuing the sale of a substantial majority of the equipment, inventory and other operating assets relating to our U.S. operations, and we have completed several such sales.

Argentina Segment. Through our Argentina segment, we have historically served the needs of our Argentine customers by providing pressure pumping and coiled tubing services. We began our service offerings in late 2014 in Argentina with our base of operation located in Neuquén City, Argentina. The majority of our revenues since inception and through the end of the third quarter of 2017 came from the Neuquén Basin and a majority of that revenue has come from our pressure pumping operations.

In the second quarter of 2017, we entered into a two-year contract based on a proposal submitted in November 2016 with the largest operator in Argentina to provide services for their tight gas completions program. During the course of providing services under that contract, we incurred losses due to lower than expected utilization of our assets, higher than expected third-party costs incurred in order to provide the bundled services contemplated under the contract, and other factors. We engaged in negotiations with our primary customer in Argentina to improve the terms of the agreement, and in June 2018, we finalized the terms of a transition agreement with improved commercial terms. We began operating under the transition agreement with our primary customer in Argentina in May 2018 and we continued to provide services under that agreement during the third quarter of 2018. Subsequent to the third quarter of 2018, we have not provided any services to our primary customer in Argentina under the transition agreement or otherwise, and we did not generate any material revenues from our Argentina operations since the third quarter of 2018.

On March 18, 2019, the Company signed an agreement with an unrelated third party to purchase all material machinery and equipment assets in Argentina. The transactions contemplated by this agreement are expected to close in phases over an approximate three-month period in the second quarter of 2019. Following the consummation of these transactions, the Company expects to shut down its Argentina subsidiary.

Operating Financial Results

During 2018, we generated $40.7 million of revenue from continuing operations, up from $24.5 million of revenue generated in 2017. All of our revenue from continuing operations for 2018 was attributable to U.S. continuing operations. Revenue from our Argentina operations segment were reclassified into discontinued operations for the years ending December 31, 2018 and 2017. The increase in the U.S. was attributable to higher well stimulation stages completed as well as higher stage rates earned in the U.S. for 2018 compared with 2017.

During 2018, we incurred a net operating loss of $65.5 million compared with a net operating loss in 2017 of $13.7 million. For 2018, we incurred cost of services of $51.6 million and for 2017, $28.6 million. Most of this increase was attributable to a higher number of well stimulation stages completed in the U.S. increasing costs. Costs from our Argentina operations segment were classified into discontinued operations for the years ending December 31, 2018 and 2017. Depreciation and amortization expense also increased due primarily to the acquisition of equipment for our new U.S. start-up. Selling, general and administrative expenses increased due to increased non-cash stock compensation expense, increased director compensation expense, an increase in headcount and salaries, and an increase in certain legal expenses.

Industry Trends

The oil and gas industry is both cyclical and seasonal. The level of spending by E&P companies is highly influenced by current and expected demand and future prices of oil and natural gas. Changes in spending result in an increased or decreased demand for our services and products. Rig count is an indicator of the level of spending by oil and gas companies. Our financial performance and outlook is significantly affected by the rig count in the United States and Argentina as well as oil and natural gas prices, which are summarized in the table below.

	2018	2017	2018 to 2017 Change	2016	2017 to 2016 Change
Rig Count Recap (1)					
U.S. Land (excl offshore)	1,013	856	18%	486	76%
Argentina	71	62	15%	68	-9%
Commodity Prices (average)					
Crude Oil (West Texas Intermediate)	$ 64.90	$ 50.80	28%	$ 43.29	17%
Natural Gas (Henry Hub)	$ 3.17	$ 2.99	6%	$ 2.52	19%

(1) Average annual drilling activity as measured by active drilling rigs based on Baker Hughes Incorporated rig count information.

Baker Hughes rig count reported at December 31, 2018, the U.S. Land only rig count was 1,083 rigs, which represented a 19% increase from the same count at December 31, 2017 and a 71% increase from the lowest level during 2017 of 634 rigs. For our U.S. operations, which began activity during 2017, our activity was concentrated in the Anadarko Basin in Oklahoma. Oklahoma's annual rig count average was 134 and 120 for 2018 and 2017, respectively.

According to the Baker Hughes rig count reporting at December 2018, the Argentinian rig count was 74 rigs, which represented a 4% increase from December 2017 and a 51% increase from the lowest monthly average level during 2017 of 49 rigs. For our Argentina operations, our 2018 and 2017 activity was concentrated in the Neuquén Basin in Argentina. Per Baker Hughes rig count reporting, the rig count in Argentina increased from 62 to 71 rigs from 2017 to 2018.

Overview of our business services

Our customers utilize our pressure pumping services to enhance the production of oil and natural gas from formations with low permeability, which restricts the natural flow of hydrocarbons. The technique of well stimulation consists of pumping a fluid into a cased well at sufficient pressure to create new channels in the rock, which can increase the extraction rates and the ultimate recovery of the hydrocarbons. Our equipment is contracted by E&P companies to provide this pressure-pumping service, which is referred to as well stimulation. Demand for these services can change quickly and is highly dependent on the number of oil and natural gas wells drilled and completed. Given the cyclical nature of these drilling and completion activities, coupled with the high labor intensity of these services, operating margins can fluctuate widely depending on supply and demand at a given point in the cycle.

Our customers have historically utilized our coiled tubing services to perform various functions associated with well-servicing operations and to facilitate completion of horizontal wells. Coiled tubing services involve the insertion of steel tubing into a well to convey materials and/or equipment to perform various applications as part of a new completion or the servicing of existing wells, including wellbore maintenance, nitrogen services, thru-tubing services, and formation stimulation using acid and other chemicals. Coiled tubing has become a preferred method of well completion, workover and maintenance projects due to speed, ability to handle heavy-duty jobs across a wide spectrum of pressure environments, safety and ability to perform services without having to shut-in a well. Our coiled tubing capabilities cover a wide range of applications for horizontal completion, work-over and well-maintenance projects. As a result, coiled tubing services are less tied to active rig count and more tied to price of oil and gas as well as customers' expenditure budgets, which is usually also tied to the price of oil and natural gas.

	Years Ended December 31,		
	2018	2017	Change
Revenues	$ 40,709,621	$ 24,464,164	$ 16,245,457
Operating cost and expenses:			
Cost of services	51,578,914	28,550,114	23,028,800
Selling, general, and administrative expenses	11,654,363	6,890,843	4,763,520
Depreciation and amortization expense	14,199,357	2,760,277	11,439,080
Impairment of assets	28,803,756	—	28,803,756
Total operating costs and expenses	106,236,390	38,201,234	68,035,156
Operating loss	(65,526,769)	(13,737,070)	(51,789,699)
Other income (expense):			
Interest expense, net of forgiven	(1,685,117)	(1,061,017)	(624,100)
Other expense	(274,528)	(12,647)	(261,881)
Total other income (expense)	(1,959,645)	(1,073,664)	(885,981)
Net loss, continuing operations	$ (67,486,414)	$ (14,810,734)	$ (52,675,680)
Net loss, discontinued operations	$ (20,380,656)	$ (12,136,143)	$ (8,244,513)

For the Years Ended December 31, 2018 and 2017

Revenue from continuing operations for the year ended December 31, 2018 increased $16.2 million to $40.7 million from $24.5 million for the year ended December 31, 2017. The increase was attributable to higher well stimulation stages completed as well as higher stage rates earned in the U.S. for the years ending 2018 compared with 2017. Our Argentina operations segment was reclassified to discontinued operations for the years ending December 31, 2018 and 2017.

Costs of services increased $23.0 million to $51.6 million for the year ended December 31, 2018 compared to $28.6 million for the year ended December 31, 2017. This increase was attributable to higher activity levels in the U.S. in completing higher number of stages in 2018 compared with 2017. Costs associated with our Argentina operations segment were reclassified to discontinued operations for the years ending December 31, 2018 and 2017. The $11.4 million increase in depreciation and amortization expense was primarily attributable to the acquisition of equipment for our new U.S. operations in 2017 and into 2018. Impairment of assets occurred during 2018 attributable to our U.S. continuing operations upon the Company's reviews of its long-lived assets given changes in circumstances indicating that the carrying amount of an asset was not recoverable, thus triggering impairment.

Our selling, general, and administrative expenses increased $4.8 million to $11.7 million for the year ended December 31, 2018 compared to $6.9 million for the year ended December 31, 2017. This increase was a result of increases in non-cash stock compensation, legal costs and professional fees due to increased director compensation and certain increased legal expenses, and corporate salaries due to increased headcount and salary increases.

Net other expense increased $0.9 million to $2.0 million for the year ended December 31, 2018 compared to net other expense of $1.1 million for the year ended December 31, 2017. This increase was primarily a result of a increase in interest expense incurred in 2018 compared with 2017. During 2018, the Company had financed equipment purchases, utilized a receivables agreement to facilitate working capital, and secured a demand note financing (discussed below under Liquidity and Capital Resources).

During 2018, we incurred a net operating loss from continuing operations of $65.5 million compared with a net operating loss from 2017 of $13.7 million.

Accounts receivable decreased $5.5 million to $0.2 million at December 31, 2018 from $5.7 million at December 31, 2017 due primarily to the Company's decision to suspend its U.S. well stimulation operations and only conducting pump down operations that contributed significantly reduced revenue and related accounts receivable in the fourth quarter of 2018.

Prepaids decreased $0.6 million to $0.1 million at December 31, 2018 from $0.7 million at December 31, 2017 due primarily to vehicle registration fees for U.S. vehicles being amortized with no added registration fees attributable to the asset sales in the U.S as well as other various other non-recurring prepaids as a result of our election to suspend our U.S. well stimulation operations and significantly reduce our U.S. workforce in alignment with potential near-term opportunities.

Accounts payable increased $3.4 million to $15.2 million at December 31, 2018 from $11.8 million at December 31, 2017 attributable to delays in payments being made to vendors.

Short-term notes payable increased $7.9 million to $7.9 million at December 31, 2018 from $0.0 million at December 31, 2017 due to borrowings made during 2018 associated with our demand promissory note described below in "*Liquidity and Capital Resources.*"

Liquidity and Capital Resources

Our primary sources of liquidity to date have been proceeds from various equity and debt offerings which are discussed in "Part II – Item 8 – Financial Statements and Supplemental Data – Notes to consolidated financial statements – Note 9 – Equity."

On March 6, 2017, the Company closed a financing transaction with Fir Tree, (the "Fir Tree Transaction") that was part of a comprehensive recapitalization designed to create a path to a potential conversion to equity of substantially all the Company's debt, subject to stockholder approval and satisfaction of certain other conditions. In connection with the Fir Tree Transaction, the Company entered into an Amended and Restated Convertible Note Facility Agreement with Fir Tree (the "A&R Note"), which replaced the convertible note previously issued by the Company to certain funds affiliated with Albright Capital Management (collectively "ACM"), which Fir Tree purchased from ACM in connection with the 2017 Recapitalization. In addition, the Company issued to Fir Tree a new convertible note with a principal amount of $19.4 million, (the "New Convertible Note"), representing an additional $17 million aggregate principal amount of convertible notes issued by the Company to the Fir Tree affiliate on March 6, 2017 and approximately $2.4 million principal amount of convertible notes in payment of accrued and unpaid interest on the existing ACM Note acquired by the Fir Tree affiliate from ACM. The unpaid principal amount of the New Convertible Note accrued interest at a rate of 20% per annum and was scheduled to mature on May 28, 2018. Approximately $2.1 million of the proceeds of the additional $17 million aggregate principal amount of New Convertible Note issued to the Fir Tree affiliate was used to repay existing debt under the Loan Agreement described under "Short Term Stockholder Debt" below, with the balance of the proceeds used for equipment purchases, other approved capital expenditures incurred in accordance with an approved operating budget, and other working capital purposes. After giving effect to the Fir Tree Transaction, the Company had approximately $41.4 million of outstanding convertible notes which were all held by Fir Tree or an affiliate.

As part of the Fir Tree Transaction, Fir Tree agreed to convert the A&R Note and the New Convertible Note into common stock at a conversion price of $1.40 per share, subject to receipt of stockholder approval and satisfaction of certain other conditions. On June 15, 2017, stockholder approval was received, and all the outstanding convertible notes were converted into approximately 29.5 million shares of common stock.

On July 6, 2017, the Company closed on a private placement of shares of the Company's common stock providing gross proceeds of $15.0 million, and net of costs proceeds of $14.9 million (the "July 2017 PIPE"). As part of the offering, the Company issued 10,000,000 shares of its common stock for $1.50 per share to certain existing shareholders. The proceeds from the offering were used to finance capital expenditures to support existing contracts the Company has in both Oklahoma and Argentina, for working capital and for other general corporate purposes.

On August 8, 2017, the Company closed on a private placement of shares of the Company's common stock providing gross proceeds of $28 million, with net of costs proceeds of $26.7 million (the "August 2017 PIPE"). As part of the offering, the Company issued an aggregate of 19,580,420 shares of its common stock for $1.43 per share to two existing stockholders and several new institutional investors. The proceeds from this offering were used to finance capital expenditures to support the Company's new fourth quarter 2017 customer contract in Oklahoma, for working capital and for other general corporate purposes.

We monitored potential capital sources, including equity and debt financings, in order to meet our planned capital expenditures and liquidity requirements. Our historical growth strategy was dependent on our ability to raise capital as needed to, among other things, finance the purchase of additional equipment.

On March 29, 2018, we entered into a Securities Purchase Agreement (the "Purchase Agreement") with Fir Tree, pursuant to which Fir Tree agreed to purchase 10,000 shares of our newly-designated Series A Convertible Preferred Stock, par value $0.001 per share (the "Series A Preferred"), at a price of $1,000 per share. The transaction closed on April 2, 2018 providing for our sale and issuance of 10,000 shares of Series A Preferred, providing $10.0 million of gross proceeds and $9.7 million of net proceeds after expenses to us. Holders of Series A Preferred are entitled to cumulative dividends payable semi-annually in arrears at a rate of (i) 10% per year if we elect to pay the dividend in cash, or (ii) 12% per year if we elect to pay the dividend through the issuance of additional shares of Series A Preferred. On October 1, 2018, we paid the initial dividend on the outstanding shares of Series A Preferred through the issuance of an aggregate of 600 additional shares of Series A Preferred to the holders of outstanding shares of Series A Preferred.

On June 8, 2018, we executed a negotiable demand promissory note (the "Demand Note") in the principal amount of up to $15.0 million in favor of Eco-Lender, LLC (the "Lender"), a Delaware limited liability company and an affiliate of Fir Tree. Pursuant to the Demand Note, on June 8, 2018, the Lender advanced approximately $5.5 million of gross proceeds and $5.1 million of net proceeds after expenses and on August 16, 2018 the Lender advanced an additional $3.0 million of gross proceeds and $2.97 million of net proceeds to us under the Demand Note. We do not have any right to re-borrow any amounts that have been advanced and repaid under the Demand Note. In addition, the Lender is not obligated to make any additional advances under the Note.

Interest on the unpaid principal balance of the Demand Note accrues at an annual rate of 10%, subject to a default interest rate of 14.00% or 24.00% depending on the payment date following the occurrence of a default. All payments of principal, interest and other amounts under the Demand Note are payable immediately upon written demand by the Lender to us; provided, however, the Lender cannot make any demand for payment under the Demand Note until the earlier of (A) 45 days after the date of the Demand Note, (B) the occurrence of a material adverse change as defined in the Demand Note and determined by the Lender in its sole and absolute discretion, (C) the occurrence of any default or event of default under any material agreement of ours or any of our subsidiaries, and (D) the date upon which we or any of our subsidiaries ceases operating for any reason.

We may prepay, in whole or in part, at any time, the principal, interest and other amounts owing under the Demand Note subject to a prepayment premium of 4.00% of the aggregate amount of such prepayment (inclusive of interest and other amounts due and owing under the Demand Note), provided that the minimum amount of any such prepayment is equal to the lesser of $1 million and the then outstanding balance of the Demand Note.

All of our obligations under the Note are guaranteed by our wholly owned subsidiary, EcoStim, Inc. ("EcoStim"), and secured by a security interest (subject to permitted liens) in substantially all of our personal property, including 100% of the outstanding equity of the our U.S. subsidiaries (including EcoStim) and 65% of the outstanding equity of our non-U.S. subsidiaries; provided, however, that the Lender had a subordinate lien on those of our assets that were subject to the lien of Porter Capital pursuant to the Receivables Agreement prior to the termination of such agreement as discussed elsewhere in this Form 10-K.

Receivables Agreement. On February 8, 2018, we entered into a Recourse Receivables Purchase & Security Agreement (the "Receivables Agreement") with Porter Capital Corporation ("Porter Capital" or "Buyer"). Under the terms of the Receivables Agreement, we may, from time to time, sell accounts receivable ("Accounts") to Buyer in exchange for funds in an amount equal to 80% of the face amount of the applicable Account at the time of sale of the Account, with the remaining 20% of the face amount of the applicable Account to be held back as a required reserve amount to be paid to us following Buyer's receipt of payment on the Account by the account debtor, less applicable fees and interest charges. The total face amount of outstanding Accounts purchased by Buyer under the Receivables Agreement may not exceed $12.5 million.

Under the terms of the Receivables Agreement, we were obligated to pay interest on the face amount of the outstanding and unpaid Accounts purchased by Buyer, less the amount of the reserve account, at an interest rate equal to the Prime Rate (as defined in the Receivables Agreement) plus 8.25%. We were also obligated under the Receivables Agreement to pay certain fees, including a fee (the "Minimum Term Fee") payable upon termination of the agreement in an amount equal to: (i) the monthly interest rate multiplied by $5 million, multiplied by the number of months in the agreement term, less the amount of actual interest paid during the term of the agreement; or (ii) following the occurrence of an Event of Default (as defined below) that has not been cured within the time periods contemplated under the agreement, $1.8 million, less the amount of actual interest paid during the term of the agreement. The Minimum Term Fee was also subject to reduction under certain circumstances if Buyer did not purchase certain eligible Accounts that are presented for purchase by us.

All of our obligations under the Receivables Agreement were secured by liens on certain of our assets, including the accounts receivable, chattel paper, inventory relating to our U.S. operations and substantially all of our equipment for our U.S. operations (excluding equipment subject to vendor financing). The Receivables Agreement further provided for customary events of default ("Events of Default"), including but not limited to the failure to make payments when due; insolvency events; the failure to comply with covenant obligations arising under the agreement or other agreements with Buyer or its affiliates; and breaches of representations and warranties. Upon the occurrence of an Event of Default, Porter Capital could have terminated the Receivables Agreement and declared all of our outstanding obligations under the Receivables Agreement to be due and payable. The Receivables Agreement had an initial term of one year, and would have renewed for successive one-year terms unless we provided notice of cancellation in accordance with the terms of the Agreement. The Receivables Agreement could be terminated prior to the expiration of the term upon written notice and payment of our obligations thereunder.

On October 19, 2018, the Company terminated its Recourse Receivables Purchase & Security Agreement ("Receivables Agreement") with Porter Capital Corporation ("Porter"). The Receivables Agreement had an initial term of one-year, with the Company permitted to terminate the Receivables Agreement prior to expiration of the initial term upon written notice to Porter and payment of the Company's outstanding obligations under the Receivables Agreement, including amounts owed as a minimum term fee calculated in accordance with the terms of the Receivables Agreement. On October 19, 2018, the Company delivered a notice to Porter of our intent to terminate the Receivables Agreement following initial term upon written notice to Porter and payment of our outstanding obligations under the Receivables Agreement, including a minimum term fee of approximately $0.2 million. As a result, the Company will no longer be able to obtain funds under the Receivables Agreement and the collateral has been released from liens that had secured the Company's obligations under the Receivables Agreement.

For sales of our receivables under this Receivables Agreement, the Company applies the guidance in ASC 860, "*Transfers and Servicing – Sales of Financial Assets*", which requires the derecognition of the carrying value of those accounts receivable in the Condensed Consolidated Balance Sheets.

Argentina Operations. In Argentina, we have been operating under a transition agreement with our primary customer since May 2018 and continued to provide services under that agreement during the third quarter of 2018. In the fourth quarter of 2018, we did not provide any significant services to our primary customer in Argentina under the transition agreement or otherwise, and we did not generate any significant revenue from our Argentina operations during the fourth quarter of 2018. In addition, as reported previously, on March 18, 2019, the Company signed an agreement with an unrelated third party to purchase all material machinery and equipment assets in Argentina. The transactions contemplated by this agreement are expected to close in phases over an approximate three-month period in the second quarter of 2019. Following the consummation of these transactions, the Company expects to shut down its Argentina subsidiary.

Sources and Uses of Cash

Net cash used in operating activities was $13.6 million for the year ended December 31, 2018 and $15.1 million for the year ended December 31, 2017. The decrease in cash used was primarily due to decreases in accounts receivable and inventory and an increase in accounts payable, attributable to the decrease in operational activity during the fourth quarter of 2018 in both Argentina and the U.S. and the slowing in payments of accounts payable.

Net cash used in investing activities was $1.2 million for the year ended December 31, 2018 and $35.4 million for the year ended December 31, 2017. This decrease was primarily due to the decrease in purchases of equipment for the twelve months ended December 2018 compared with the twelve months ended December 2017. Purchases were higher for the twelve months ended December 2017 due to the start-up and expansion of operations in our U.S. segment during the twelve months ended December 2017. The decrease was also due to proceeds received in 2018 as a result of selling U.S. based operational assets during the fourth quarter of 2018.

Net cash provided by financing activities was $11.6 million for the year ended December 31, 2018 and $57.0 million for the year ended December 31, 2017. The decrease was primarily attributable to sales of common stock of $41.6 million, net of issuance cost, during 2017, as well as $7.2 million greater proceeds from notes payable, net of cost, during 2017 when compared to the same period ended December 31, 2018. These were offset by an increase in 2018 in cash provided by the sale of preferred stock and an increase in payments made on our notes payable compared to the same period ended December 31, 2017.

The following table summarizes our financing activities cash flows for the years ended December 31, 2018 and 2017:

	Years Ended December 31,	
	2018	2017
Financing Activities		
Proceeds from sale of common stock	$ —	$ 41,624,402
Proceeds from sale of preferred stock, net	9,702,793	—
Proceeds from notes payable	11,537,417	18,719,126
Payments on notes payable	(9,160,095)	(2,587,852)
Payments on capital lease	(518,236)	(789,166)
Net cash provided by financing activities	$ 11,561,879	$ 56,966,510

On December 15, 2015, the Board authorized the Company to repurchase, from time to time, from December 16, 2015 through December 16, 2017, up to $5 million in shares of its outstanding common stock. Through the years ending December 31, 2015, 2016 and 2017, the Company had purchased 6,939, 14,911 and 0 shares, respectively, at a cost of $20,294, $37,175, and $0, respectively, through the repurchase arrangement.

On July 13, 2016, the Company entered into an At-Market Issuance Sale Agreement as disclosed in Note 9 – Equity. During 2016, the Company sold 796,573 shares through this agreement for total gross proceeds of $1,722,596 before deducting approximately $164,000 of commissions. During 2017, the Company sold 563,753 shares through this agreement for total gross proceeds of $982,385 before deducting approximately $13,105 of commissions.

In 2017, the Company converted all of its outstanding convertible notes into common stock pursuant to the Fir Tree Transactions, raised gross proceeds of $15.0 million, and net of costs proceeds of $14.9 million through the July 2017 PIPE, and raised gross proceeds of $28 million, with net of costs proceeds of $26.7 million, through the August 2017 PIPE.

For additional information, see “Liquidity and Capital Resources” above.

We had a net decrease in cash and cash equivalents of $3.2 million for the year ended December 31, 2018, compared to a net increase in cash and cash equivalents of $6.5 million during the year ended December 31, 2017 primarily resulting from a reduction in our proceeds from stock issuances for 2018 compared with 2017, offset by a reduction in equipment purchases for 2018 compared with 2017.

We do not generate positive cash flow. Further, our liquidity provided by our existing cash and cash equivalents may not be sufficient to fund our cash requirements in 2019.

Capital Requirements

The energy services business is capital intensive, requiring significant investment to expand, upgrade and maintain equipment. Historically, our primary uses of capital have been the acquisition of equipment, working capital to finance our operations and general administrative expenses.

We intend to incur minimal capital expenditures during 2019, and only those required to maintain our current assets being utilized in operations or as required for sale of an asset.

Impact of Inflation on Operations

Inflation can have a significant impact on operations. Historically, we have purchased our equipment and materials from suppliers who provide competitive prices and employ skilled workers from competitive labor markets. If inflation in the general economy increases, our costs for equipment, materials and labor could increase as well. Also, increases in activity in oilfields can cause upward wage pressures in the labor markets from which we hire employees as well as increases in the costs of certain materials and key equipment components used to provide services to our customers. Inflation in Argentina has had a significant impact on our business, driving the weakening of the Argentine Peso against the U.S. dollar by over 102% during 2018. As a result, the Company has recognized significant foreign currency translation losses for the year to date 2018.

Off-Balance Sheet Arrangements

As of December 31, 2018, we had no material off-balance sheet arrangements except for the operating leases and purchase commitments under supply and transportation agreements disclosed under Note 12 – Commitments and Contingencies. The term “off-balance sheet arrangements” generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with us is a party, under which we have (i) any obligation arising under a guarantee contract, derivative instrument or variable interest or (ii) a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

Going Concern. Under *Accounting Standards Update 2014-15, Presentation of Financial Statements-Going Concern,* we are required to evaluate whether there is a substantial doubt about our ability to continue as a going concern each reporting period, including interim periods. In evaluating our ability to continue as a going concern, management has considered conditions and events that could raise substantial doubt about our ability to continue as a going concern for 12 months following the date our financial statements are issued (May 10, 2018), including our current financial condition and liquidity sources, including current cash balances, forecasted cash flows, our obligations due before May 10, 2019, including our obligations described in Note 12 - Commitments and Contingencies to the condensed consolidated financial statements included in Part I – Item 1 of this Form 10-Q, and the other conditions and events described below.

We have incurred substantial net losses and losses from operations since inception. As of December 31, 2018, we had cash and cash equivalents of approximately $3.7 million and a working capital deficit of approximately $5.0 million. We do not have access to a working capital facility and may not have access to other sources of external capital on reasonable terms or at all. In September 2018, we elected to suspend our U.S. well stimulation operations and significantly reduce our U.S. workforce in alignment with potential near-term opportunities. As a result, as of November 14, 2018, we were only conducting pump down operations in the U.S. and will not generate any material revenue from our U.S. operations in future periods unless we are able to obtain access to additional third party capital to fund our future operations on reasonable terms or are otherwise able to consummate a strategic transaction. In Argentina, we have been operating under a transition agreement with our primary customer since May 2018. Following the third quarter of 2018, we have not provided any services to our primary customer in Argentina under the transition agreement or otherwise, and we did not generate any revenue from our Argentina operations in the fourth quarter of 2018. We do not expect to generate any material revenue from our Argentina operations in future periods. As of December 31, 2018, the outstanding aggregate principal amount of our outstanding Negotiable Demand Promissory Note was approximately $7.8 million. If our obligations under the Negotiable Demand Promissory Note are accelerated pursuant to its terms, there can be no assurance that we will have sufficient funds to repay such obligations or our other obligations.

Management's plans to alleviate substantial doubt include: (i) pursuing the sale of a substantial majority of the equipment, inventory and other operating assets relating to our U.S. operations; (ii) using the proceeds from asset sales to reduce our outstanding liabilities and improve our liquidity; (iii) pursuing the sale of our Argentina assets; (iv) significantly reducing costs and expenses which would include, but not limited to significantly reducing our U.S. workforce in alignment with potential near-term opportunities, which actions have been substantially implemented; and (v) taking other steps to reduce costs and liabilities. However, there can be no assurance as to the ultimate consummation, timing or amount of proceeds generated from any such asset sales or other actions. Based on the uncertainty of achieving these items and the significance of the factors described above, there is substantial doubt as to our ability to continue as a going concern for a period of 12 months following May 10, 2019.

The Fir Tree Transaction. On March 6, 2017, we closed a financing transaction with Fir Tree, (the "Fir Tree Transaction") that was part of a comprehensive recapitalization designed to create a path to a potential conversion to equity of substantially all of our debt, subject to stockholder approval and satisfaction of certain other conditions. In connection with the Fir Tree Transaction, we entered into an Amended and Restated Convertible Note Facility Agreement with Fir Tree (the "A&R Note"), which replaced the convertible note previously issued by us to certain funds affiliated with Albright Capital Management (collectively "ACM"), which Fir Tree purchased from ACM. In addition, we issued to Fir Tree a new convertible note with a principal amount of $19.4 million, (the "New Convertible Note"), representing an additional $17 million aggregate principal amount of convertible notes issued by us to Fir Tree on March 6, 2017 and approximately $2.4 million principal amount of convertible notes in payment of accrued and unpaid interest on the existing ACM Note acquired by Fir Tree from ACM. The unpaid principal amount of the New Convertible Note accrued interest at a rate of 20% per annum and was scheduled to mature on May 28, 2018. Approximately $2.1 million of the proceeds of the additional $17 million aggregate principal amount of New Convertible Note issued to Fir Tree was used to repay existing debt under a Loan Agreement that was entered into on November 30, 2016 between us and two of our largest stockholders, with the balance of the proceeds used for equipment purchases, other approved capital expenditures incurred in accordance with an approved operating budget, and other working capital purposes. After giving effect to the Fir Tree Transaction, we had approximately $41.4 million of outstanding convertible notes which were all held by Fir Tree.

As part of the Fir Tree Transaction, Fir Tree agreed to convert the A&R Note and the New Convertible Note into common stock at a conversion price of $1.40 per share, subject to receipt of stockholder approval and satisfaction of certain other conditions. On June 15, 2017, stockholder approval was received, and all the outstanding convertible notes were converted into approximately 29.5 million shares of common stock.

Equity Offerings. On July 6, 2017, we closed on a private placement of shares of our common stock providing gross proceeds of $15 million, and net of cost proceeds of $14.9 million. As part of the offering, we issued 10,000,000 shares of our common stock for $1.50 per share to certain existing shareholders. The proceeds from the offering were used to finance capital expenditures to support contracts in both Oklahoma and Argentina, for working capital and for other general corporate purposes.

On August 8, 2017, we closed on a private placement of shares of our common stock providing gross proceeds of $28 million, and net of cost proceeds of $26.8 million. As part of the offering, we issued an aggregate of 19,580,420 shares of our common stock for $1.43 per share to two existing stockholders and several new institutional investors. The proceeds from this offering were used to finance capital expenditures to support customer contracts in Oklahoma, for working capital and for other general corporate purposes.

On March 29, 2018, we entered into a Securities Purchase Agreement (the "Purchase Agreement") with Fir Tree, pursuant to which Fir Tree agreed to purchase 10,000 shares of our newly-designated Series A Convertible Preferred Stock, par value $0.001 per share (the "Series A Preferred"), at a price of $1,000 per share. The transaction closed on April 2, 2018 providing for our sale and issuance of 10,000 shares of Series A Preferred, providing $10.0 million of gross proceeds and $9.7 million of net proceeds after expenses to us. Holders of Series A Preferred are entitled to cumulative dividends payable semi-annually in arrears at a rate of (i) 10% per year if we elect to pay the dividend in cash, or (ii) 12% per year if we elect to pay the dividend through the issuance of additional shares of Series A Preferred. On October 1, 2018, we paid the initial dividend on the outstanding shares of Series A Preferred through the issuance of an aggregate of 600 additional shares of Series A Preferred to the holders of outstanding shares of Series A Preferred.

All of the equity offerings with the exception of the April 2, 2018 private placement noted above are as discussed in our Annual Report on Form 10-K for the year ended December 31, 2017, Part II – Item 8 – Financial Statements and Supplemental Data – Notes to consolidated financial statements – Note 9 – Equity.

Negotiable Demand Promissory Note. On June 8, 2018, we executed a negotiable demand promissory note (the "Demand Note") in the principal amount of up to $15.0 million in favor of Eco-Lender, LLC (the "Lender"), a Delaware limited liability company and an affiliate of Fir Tree. Pursuant to the Demand Note, on June 8, 2018, the Lender advanced approximately $5.5 million of gross proceeds and $5.1 million of net proceeds after expenses and on August 16, 2018 the Lender advanced an additional $3.0 million of gross proceeds and $2.97 million of net proceeds to us under the Demand Note. We do not have any right to re-borrow any amounts that have been advanced and repaid under the Demand Note. In addition, the Lender is not obligated to make any additional advances under the Note.

Interest on the unpaid principal balance of the Demand Note accrues at an annual rate of 10%, subject to a default interest rate of 14.00% or 24.00% depending on the payment date following the occurrence of a default. All payments of principal, interest and other amounts under the Demand Note are payable immediately upon written demand by the Lender to us; provided, however, the Lender cannot make any demand for payment under the Demand Note until the earlier of (A) 45 days after the date of the Demand Note, (B) the occurrence of a material adverse change as defined in the Demand Note and determined by the Lender in its sole and absolute discretion, (C) the occurrence of any default or event of default under any material agreement of ours or any of our subsidiaries, and (D) the date upon which we or any of our subsidiaries ceases operating for any reason.

We may prepay, in whole or in part, at any time, the principal, interest and other amounts owing under the Demand Note subject to a prepayment premium of 4.00% of the aggregate amount of such prepayment (inclusive of interest and other amounts due and owing under the Demand Note), provided that the minimum amount of any such prepayment is equal to the lesser of $1 million and the then outstanding balance of the Demand Note.

All of our obligations under the Note are guaranteed by our wholly owned subsidiary, EcoStim, Inc. ("EcoStim"), and secured by a security interest (subject to permitted liens) in substantially all of our personal property, including 100% of the outstanding equity of the our U.S. subsidiaries (including EcoStim) and 65% of the outstanding equity of our non-U.S. subsidiaries; provided, however, that the Lender had a subordinate lien on those of our assets that were subject to the lien of Porter Capital pursuant to the Receivables Agreement prior to the termination of such agreement as discussed elsewhere in this Form 10-K.

Working Capital. As of December 31, 2018, our cash and cash equivalents were approximately $3.7 million, as compared to $3.9 million as of September 30, 2018, $1.9 million as of June 30, 2018 and $8.8 million as of December 31, 2017. Our working capital, which we define as the difference between our current assets and our current liabilities, is an indication of our liquidity and our potential requirements for short-term financing. Changes in our working capital are driven generally by changes in our accounts receivable, changes in our accounts payable, credit extended to and the timing of collections from our customers, and the level and timing of our capital expenditures. As of December 31, 2018, we had a working capital deficit of approximately $5.5 million, as compared to a working capital deficit of $28.3 million as of September 30, 2018, $20.8 million as of June 30, 2018 and $2.0 million as of December 31, 2017. This decrease in working capital deficit occurred primarily as a result of the reclassification of our long-term assets (primarily property, plant and equipment) to current assets held for sale of approximately $25.0 million.

Argentina Operations. As discussed under "– Business Segments – Argentina Segment," we have incurred losses under out two-year contract with our primary customer in Argentina. We have been operating under a transition agreement with our primary customer in Argentina since May 2018 and we continued to provide services under that agreement during the third quarter of 2018. Subsequent to the third quarter of 2018, we have not provided any services to our primary customer in Argentina under the transition agreement or otherwise, and we did not generate any revenue from our Argentina operations in the fourth quarter of 2018. We did not generate any material revenue from our Argentina operations in the fourth quarter of 2018 and may not generate any material revenue in future periods. As of December 31, 2018, the working capital associated with our Argentina operations was approximately $9.2 million (amount includes asset held for sale reclassification of $12.5 million from long-term into current), as compared to working capital of $2.5 million as of September 30, 2018, $2.4 million as of June 30, 2018 and $2.3 million as of December 31, 2017. As a result, our Argentina operations may require access to additional capital, which may not be available on reasonable terms or at all. If we are unable to obtain a sufficient amount of funds, we may not be able to satisfy the working capital requirements, indebtedness or other obligations of our operations in Argentina.

Historically, we have managed our working capital requirements primarily with our existing cash balances, funds provided under the Receivables Agreement described below and external financings. We are actively pursuing the sale of a substantial majority of the equipment, inventory and other operating assets relating to our U.S. operations. We currently intend to use the proceeds from any such sales to reduce our outstanding liabilities and improve our liquidity, however, there can be no assurance as to the ultimate consummation, timing or amount of proceeds generated from any such asset sales. If we are unable to obtain a sufficient amount of proceeds from asset sales or funds from other sources, we may not be able to satisfy our working capital requirements, indebtedness and other obligations.

On March 18, 2019, the Company entered into an Asset Purchase Agreement with an unrelated third party to dispose of substantially all of the assets and equipment used in the Company's operations in Argentina for a purchase price of approximately $13 million. The transaction is expected to close in phases over approximately 90 days from the date of signing.

Receivables Agreement. On February 8, 2018, we entered into a Recourse Receivables Purchase & Security Agreement (the "Receivables Agreement") with Porter Capital Corporation ("Porter Capital"). Under the terms of the Receivables Agreement, we were able, from time to time to sell accounts receivable ("Accounts") to Porter Capital in exchange for funds in an amount equal to 80% (or less as percentage is subject to credit limits established by Porter Capital) of the face amount of the applicable Account at the time of sale of the Account, with the remaining 20% of the face amount of the applicable Account to be held back as a required reserve amount to be paid to us following Porter Capital's receipt of payment on the Account by the account debtor, less applicable fees and interest charges. The total face amount of outstanding Accounts purchased by Porter Capital under the Receivables Agreement could not exceed $12.5 million.

Under the terms of the Receivables Agreement, we were obligated to pay interest on the face amount of the outstanding and unpaid Accounts purchased by Porter Capital, less the amount of the reserve account, at an interest rate equal to the Prime Rate (as defined in the Receivables Agreement) plus 8.25%. We were obligated under the Receivables Agreement to pay certain fees, including a fee (the "Minimum Term Fee") payable upon termination of the agreement in an amount equal to: (i) the monthly interest rate multiplied by $5 million, multiplied by the number of months in the agreement term, less the amount of actual interest paid during the term of the agreement; or (ii) following the occurrence of an Event of Default (as defined below) that had not been cured within the time periods contemplated under the agreement, $1.8 million, less the amount of actual interest paid during the term of the agreement. The Minimum Term Fee was also subject to reduction under certain circumstances if Porter Capital did not purchase certain eligible Accounts that were presented for purchase by us.

All of our obligations under the Receivables Agreement were secured by liens on certain of our assets, including the accounts receivable, chattel paper, inventory relating to our U.S. operations and certain equipment used for our U.S. operations (excluding equipment subject to vendor financing) (collectively the "Collateral"). The Receivables Agreement had an initial one-year term, with us being permitted to terminate the Receivables Agreement prior to the expiration of the initial term upon written notice to Porter Capital and payment of our outstanding obligations under the Receivables Agreement, including the Minimum Term Fee. On October 19, 2018, we delivered a notice to Porter Capital of our election to terminate the Receivables Agreement following the payment of our remaining obligations thereunder, including a Minimum Term Fee of approximately $0.2 million. As a result, we will no longer be able to obtain funds under the Receivables Agreement and the Collateral has been released from the liens that had secured our obligations under the Receivables Agreement.

For sales of our receivable under this Receivables Agreement, the Company applies the guidance in ASC 860, "*Transfers and Servicing – Sales of Financial Assets*", which requires the derecognition of the carrying value of those accounts receivable in the Consolidated Balance Sheets. For the year ended December 31, 2018, $31.0 million of accounts receivable transferred pursuant to the Receivables Agreement qualified as sales of receivables and the carrying amounts were derecognized. There was no loss associated with the sales of these receivables. Upon termination on October 19, 2018, we were owed $0.5 million representing the held back required reserve amount to be paid to us following Porter Capital's receipt of payment on the Account by the account debtor. This balance was paid prior to December 31, 2018. Additionally, in connection with the termination of the Receivables Agreement in October 2018, we were refunded approximately $0.2 million from Porter Capital after payment of the Minimum Term Fee.

Critical Accounting Policies

For a complete summary of our significant accounting policies, refer to Note 2, Basis of Presentation and Significant Accounting Policies, in our consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to select appropriate accounting principles from those available, to apply those principles consistently and to make reasonable estimates and assumptions that affect revenues and associated costs as well as reported amounts of assets and liabilities, and related disclosure of contingent assets and liabilities. Certain accounting policies involve judgments and uncertainties. We evaluate estimates and assumptions on a regular basis. We base our respective estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the estimates and assumptions used in preparation of our consolidated financial statements. We consider the following policies to be the most critical to understanding the judgments that are involved and the uncertainties that could impact our results of operations, financial condition and cash flows.

As a "smaller reporting company", we are reporting in accordance with certain reduced public company reporting requirements permitted by applicable SEC requirements. As a result, our financial statements may not be comparable to companies that are not smaller reporting or elect to avail themselves of this provision.

We believe the following critical accounting policies involve significant areas of management's judgments and estimates in the preparation of our consolidated financial statements.

Property and Equipment. Fixed asset additions are recorded at cost less accumulated depreciation. Cost of services consists of products, components, labor and overhead. Expenditures for renewals and betterments that extend the lives of the assets are capitalized. Amounts spent for maintenance and repairs are charged against operations as incurred. Costs of fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets which range from one and a half to seven years for service equipment. Leasehold improvements will be depreciated over the lesser of the estimated useful life of the improvement or the remaining lease term. Management is responsible for reviewing the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to the amount by which the carrying value exceeds the fair value of assets. When making this assessment, the following factors are considered: current operating results, trends and prospects, as well as the effects of obsolescence, demand, competition and other economic factors.

Revenue Recognition. Effective January 1, 2018, the Company adopted a comprehensive new revenue recognition standard, ASC Topic 606-Revenue from Contracts with Customers. The details of the significant changes to accounting policies resulting from the adoption of the new standard are set out below. The Company adopted the standard using a modified retrospective method; accordingly, the comparative information for the years ended December 31, 2017 and 2016 has not been adjusted and continues to be reported under the previous revenue standard. The adoption of this standard did not have a material impact to the consolidated financial position, reported revenue, results of operations or cash flows as of and for the year ended December 31, 2018.

Under the new standard, revenue recognition is based on the transfer of control, or the customer's ability to benefit from the services and products in an amount that reflects the consideration expected to be received in exchange for those services and products. In recognizing revenue for services and products, the transaction price is determined from sales orders or contracts with customers. Revenue is recognized at the completion of each fracturing stage, and in most cases the price at the end of each stage is fixed, however, in limited circumstances contracts may contain variable consideration.

Variable consideration typically may relate to discounts, price concessions and incentives. We estimate variable consideration based on the amount of consideration we expect to receive. The Company accrues revenue on an ongoing basis to reflect updated information for variable consideration as performance obligations are met.

The Company also assesses customers' ability and intention to pay, which is based on a variety of factors including historical payment experience and financial condition. Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 45 days.

Stock-Based Payments. We account for stock incentive awards issued to employees and non-employees in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Stock Compensation. Accordingly, employee stock-based compensation is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the requisite service period, or upon the occurrence of certain vesting events. Additionally, stock-based awards to non-employees are expensed over the period in which the related services are rendered. The grant-date fair value of awards is estimated using the Black-Scholes option-pricing model, which requires the use of highly subjective assumptions such as the estimated market value of our stock, expected term of the award, expected volatility and the risk-free interest rate. Since some of our share options were not publicly traded at the time of issuance and have not been traded privately, the value of the shares is estimated based on significant unobservable inputs, primarily consisting of the estimated value of the start-up activities completed as of the grant date, as well as other inputs that are estimated based on similar entities with publicly traded securities. We continue to use judgment in evaluating the expected term, volatility and forfeiture rate related to our stock-based compensation on a prospective basis and incorporate these factors into our option-pricing model. Each of these inputs is subjective and generally requires significant management judgment. If, in the future, we determine that another method for calculating the fair value of our unit-based awards is more reasonable, or if another method for calculating these input assumptions is prescribed by authoritative guidance, and, therefore, should be used to estimate expected volatility or expected term, the fair value calculated for our employee unit-based awards could change significantly. Higher volatility and longer expected terms generally result in an increase to stock-based compensation expense determined at the date of grant.

Income Taxes. We account for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Our tax filings for various periods are subject to audit by the tax authorities in most jurisdictions where we conduct business. These audits may result in assessments of additional taxes that are resolved with the authorities or through the courts. We believe these assessments may occasionally be based on erroneous and even arbitrary interpretations of local tax law. Resolution of these situations inevitably includes some degree of uncertainty; accordingly, we provide taxes only for the amounts we believe will ultimately result from these proceedings. The resulting change to our tax liability, if any, is dependent on numerous factors including, among others, the amount and nature of additional taxes potentially asserted by local tax authorities; the willingness of local tax authorities to negotiate a fair settlement through an administrative process; the impartiality of the local courts; the number of countries in which we do business; and the potential for changes in the tax paid to one country to either produce, or fail to produce, an offsetting tax change in other countries. The potential exists that the tax resulting from the resolution of current and potential future tax controversies may differ materially from the amount accrued.

Valuation Allowance for Deferred Tax Assets. We record a valuation allowance to reduce the carrying value of our deferred tax assets when it is more likely than not that a portion or all of the deferred tax assets will expire before realization of the benefit or future deductibility is not probable. The ultimate realization of the deferred tax assets depends on the ability to generate sufficient taxable income of the appropriate character and in the related jurisdiction in the future. In evaluating our ability to recover our deferred tax assets, we consider the available positive and negative evidence, including our past operating results, the existence of cumulative losses in the most recent years and our forecast of future taxable income. In estimating future taxable income, we develop assumptions, including the amount of future pretax operating income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment.

Recent Accounting Pronouncements

See Part II, Item 8, Notes to consolidated financial statements – Note 2 – Basis of Presentation and Significant Accounting Policies.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain market risks as part of our ongoing business operations, including risks from changes in foreign currency exchange rates and commodities that could impact our financial position, results of operations and cash flows. We manage our exposure to these risks through regular operating and financing activities.

Foreign Currency Risk

During the years ended December 31, 2017 and 2018, we conducted operations in Argentina. The functional currency for our Argentina operations is the U.S. dollar. We and our foreign subsidiaries from time to time will hold foreign currencies. Exchange rate fluctuations will subject us to foreign currency risk. In the future, we could experience fluctuations in financial results from our operations outside the U.S., and there can be no assurance that payments received in foreign currencies can be repatriated to the U.S. or that we will be able, contractually or otherwise, to reduce the foreign currency risks associated with our international operations.

Commodity Price Risk

Our revenues, profitability and future rate of growth significantly depend upon the market prices of oil and natural gas. Lower prices may also reduce the amount of oil and gas that can economically be produced.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Eco-Stim Energy Solutions, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Eco-Stim Energy Solutions, Inc. and Subsidiaries (the “Company”) as of December 31, 2018 and 2017, and the related consolidated statements of operations, cash flows, and changes in stockholders’ equity for the years then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses and negative cash flows from operations and has a net capital deficiency which raises substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

We have served as the Company’s auditor since 2013.

/s/ Whitley Penn LLP

Houston, Texas
May 10, 2019

ECO-STIM ENERGY SOLUTIONS, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 3,741,627	$ 6,970,926
Accounts receivable, net of allowance	182,464	5,692,479
Prepaids	81,459	699,150
Other assets	69,235	254,454
Assets held for sale	25,030,359	79,050,532
Total current assets	29,105,144	92,667,541
Property, plant and equipment, net	2,050,000	11,001,273
Total assets	$ 31,155,144	$ 103,668,814
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	$ 15,181,502	$ 11,828,201
Accrued expenses	3,760,135	1,606,922
Short-term notes payable	7,916,188	—
Liabilities held for sale	7,703,411	17,552,929
Total current liabilities	34,561,236	30,988,052
Commitments and contingencies		
Stockholders' equity (deficit)		
Preferred stock, $0.001 par value, 50,000,000 shares authorized, 30,000 designated as Series A Convertible Preferred Stock, 10,600 of Series A Preferred issued and outstanding at December 31, 2018 and none issued or outstanding at December 31, 2017	11	—
Common stock, $0.001 par value, 200,000,000 shares authorized, 18,849,935 issued and 18,844,472 outstanding at December 31, 2018 and 18,649,937 issued and 18,644,474 outstanding at December 31, 2017	75,400	74,578
Additional paid-in capital	155,850,502	144,071,119
Treasury stock, at cost; 5,462 common shares at December 31, 2018 and December 31, 2017	(57,469)	(57,469)
Accumulated deficit	(159,274,536)	(71,407,466)
Total stockholders' equity (deficit)	(3,406,092)	72,680,762
Total liabilities and stockholders' equity (deficit)	$ 31,155,144	$ 103,668,814

See accompanying notes to consolidated financial statements.

ECO-STIM ENERGY SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,	
	2018	2017
Revenues	$ 40,709,621	$ 24,464,164
Operating cost and expenses:		
Cost of services	51,578,914	28,550,114
Selling, general, and administrative expenses	11,654,363	6,890,843
Depreciation and amortization expense	14,199,357	2,760,277
Impairment of assets	28,803,756	—
Total operating costs and expenses	106,236,390	38,201,234
Operating loss	(65,526,769)	(13,737,070)
Other income (expense):		
Interest expense	(1,685,117)	(1,695,494)
Interest forgiven	—	634,477
Other expense	(274,528)	(12,647)
Total other expense	(1,959,645)	(1,073,664)
Net loss from continuing operations	$ (67,486,414)	$ (14,810,734)
Loss from discontinued operations	(20,380,656)	(12,136,143)
Net loss	(87,867,070)	(26,946,877)
Basic and diluted loss per share continuing operations	$ (3.60)	$ (0.90)
Basic and diluted loss per share discontinued operations	(1.09)	(0.73)
Basic and diluted loss per share	$ (4.69)	$ (1.63)
Weighted average number of common shares outstanding-basic and diluted	18,726,628	16,516,354

See accompanying notes to consolidated financial statements.

ECO-STIM ENERGY SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2018	**2017**
Operating Activities		
Net loss	$ (87,867,070)	$ (26,946,877)
Adjustments to reconcile net loss from operations to net cash provided by operating activities:		
Depreciation and amortization	14,199,357	2,760,277
Amortization of debt discount and loan origination cost	70,167	459,797
Impairment of fixed assets	28,803,756	—
Stock based compensation	2,977,423	1,754,706
Gain on sale of fixed assets	(1,257,273)	—
Changes in operating assets and liabilities:		
Accounts receivable	5,510,015	(1,217,914)
Inventory	550,422	(3,699,245)
Prepaids and other assets	2,128,418	3,080,224
Accounts payable and accrued expenses	912,083	(3,447,915)
Net cash used in operating activities of continuing operations	(33,972,702)	(27,256,947)
Net cash provided by operating activities of discontinued operations	20,380,656	12,136,143
Net cash used in operating activities	(13,592,046)	(15,120,804)
Investing Activities		
Purchases of equipment	(9,832,074)	(34,831,333)
Proceeds from sale of equipment	8,635,788	—
Net cash used in investing activities of continuing operations	(1,196,286)	(34,831,333)
Net cash used in investing activities of discontinued operations	(2,846)	(548,108)
Net cash used in investing activities	(1,199,132)	(35,379,441)
Financing Activities		
Proceeds from sale of common stock, net	—	41,624,402
Proceeds from sale of preferred stock, net	9,702,793	—
Proceeds from notes payable	11,537,417	18,719,126
Payments on notes payable	(9,160,095)	(2,587,852)
Payments on capital lease	(518,236)	(789,166)
Net cash provided by financing activities	11,561,879	56,966,510
Net increase (decrease) in cash and cash equivalents	(3,229,299)	6,466,265
Cash and cash equivalents, beginning of year	6,970,926	504,661
Cash and cash equivalents, end of year	$ 3,741,627	$ 6,970,926
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 1,227,002	$ 385,259
Cash paid during the year for income taxes	$ 309,417	$ 541,723
Non-cash transactions		
Property, plant and equipment additions in accounts payable	$ 1,760,514	$ 1,669,057
Notes payable settled through recapitalization	$ —	$ 22,000,000
Conversion of debt to equity	$ —	$ 41,195,599
Equipment purchased with notes payable	$ 44,503	$ 8,807,582
Accrued but unpaid dividends	$ 900,000	$ —
Return of capital leased assets	$ 4,617,223	$ —

See accompanying notes to consolidated financial statements.

ECO-STIM ENERGY SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
YEARS ENDED DECEMBER 31, 2018 AND 2017

	Preferred Stock		Common Stock		Additional Paid-in	Treasury	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Stock	Deficit	Total
Balance at December 31, 2016	—	$ —	3,621,485	$ 14,485	$ 59,556,505	$ (57,469)	$ (44,460,589)	$ 15,052,932
Sale of common stock, net	—	—	7,536,043	30,086	42,519,083	—	—	42,549,169
Common stock-based compensation	—	—	107,713	468	1,754,238	—	—	1,754,706
Stock issued upon conversion of debt, net of costs	—	—	7,384,696	29,539	40,241,293	—	—	40,270,832
Net loss			—	—	—	—	(26,946,877)	(26,946,877)
Balance at December 31, 2017	—	$ —	18,649,937	$ 74,578	$ 144,071,119	$ (57,469)	$ (71,407,466)	$ 72,680,762
Common stock-based compensation	—	—	199,998	822	2,976,601	—	—	2,977,423
Preferred stock based issuance, net of costs	10,600	11	—	—	9,702,782	—	—	9,702,793
Preferred Dividends	—	—	—	—	(900,000)	—	—	(900,000)
Net loss	—	—	—	—	—	—	(87,867,070)	(87,867,070)
Balance at December 31, 2018	10,600	$ 11	18,849,935	$ 75,400	$ 155,850,502	$ (57,469)	$ (159,274,536)	$ (3,406,092)

See accompanying notes to consolidated financial statements.

1. Nature of Business

Historically, Eco-Stim Energy Solutions, Inc. operated as a technology-driven independent oilfield services company that offered well stimulation, coiled tubing and field management services to the upstream oil and gas industry. In September 2018, we completed work under our pressure pumping contract with our primary U.S. customer. Given the current weakness of the U.S. well stimulation market, in September 2018 we elected to suspend our U.S. well stimulation operations and significantly reduce our U.S. workforce in alignment with potential near-term opportunities, including pump down and miscellaneous pumping services. In Argentina, we previously operated under a transition agreement with our primary customer since May 2018 through the third quarter of 2018. Subsequent to the third quarter of 2018, we have not provided any significant services to our primary customer in Argentina under the transition agreement or otherwise and have not generated any material revenue from our Argentina operations since the third quarter of 2018.

During the fourth quarter of 2018, the Company completed the disposition of certain of its U.S. equipment and other operating assets to unrelated third parties in several separate transactions in exchange for aggregate cash proceeds, before commissions and selling expenses, of approximately $5.7 million. On January 24, 2019, the Company completed the disposition of certain of its U.S. equipment to an unrelated party in exchange for approximately $2.8 million of aggregate cash proceeds, before commissions and selling expenses. On February 21, 2019, the Company completed the disposition of certain of its U.S. equipment to an unrelated party in exchange for approximately $6.2 million of aggregate cash proceeds, before commissions and selling expenses. On March 14, 2019, the Company completed the disposition of certain of its U.S. equipment to an unrelated party in exchange for approximately $2.1 million of aggregate cash proceeds, before commissions and selling expenses. Net of commissions, the Company received approximately $16.8 million. In the U.S., we have sold materially all of the equipment, inventory and other operating assets relating to our U.S. operations and terminated all field level employees.

On March 18, 2019, the Company signed an agreement with an unrelated third party to purchase all of our material equipment and machinery assets in Argentina. See note 18. Subsequent Events.

2. Basis of Presentation and Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

The consolidated financial statements for the years ended December 31, 2018 and 2017 were prepared on the going concern basis of accounting, which contemplates realization of assets and satisfaction of liabilities in the normal course of business and were prepared in accordance with accounting principles generally accepted in the United States ("US GAAP") and include the assets, liabilities, revenues and expenses of the Company's subsidiaries.

Principles of Consolidation

We consolidate all wholly-owned subsidiaries, controlled joint ventures and variable interest entities where the Company has determined it is the primary beneficiary. All material intercompany accounts and transactions have been eliminated in consolidation. Our wholly-owned subsidiaries include: Viking Rock Holding, AS (100%), Viking Rock, AS (100% owned), Cherokee Rock, Inc. (100% owned), EcoStim, Inc. (100% owned), and Eco-Stim Energy Solutions Argentina, SA (100% owned).

Going Concern

Under *Accounting Standards Update 2014-15, Presentation of Financial Statements-Going Concern,* the Company is required to evaluate whether there is a substantial doubt about its ability to continue as a going concern each reporting period, including interim periods. In evaluating the Company's ability to continue as a going concern, management has considered conditions and events that could raise substantial doubt about the Company's ability to continue as a going concern for 12 months following the date the Company's financial statements are issued (May 10, 2019), including the Company's current financial condition and liquidity sources, including current cash balances, forecasted cash flows, the Company's obligations due before May 10, 2019, including the Company's obligations described in Note 6 – Commitments and Contingencies, and the other conditions and events described below.

The Company has incurred substantial net losses and losses from operations since inception. As of December 31, 2018, the Company had cash and cash equivalents of approximately $3.7 million and working capital deficit of approximately $5.5 million. The Company does not have access to a working capital facility and may not have access to other sources of external capital on reasonable terms or at all. In September 2018, the Company elected to suspend its U.S. well stimulation operations and significantly reduce its U.S. workforce in alignment with potential near-term opportunities. As a result, beginning in the fourth quarter of 2018, the Company was only conducting pump down operations in the U.S. and the Company did not generate any material revenue from its U.S. operations in the fourth quarter of 2018, and as of May 10, 2019, has not generated any material revenue from its U.S. operations. In addition, the Company does not expect that its U.S. operations will generate any material revenue in future periods. In Argentina, the Company had been operating under a transition agreement with its primary customer since May 2018. Following the third quarter of 2018, the Company has not provided any services to its primary customer in Argentina under the transition agreement or otherwise, and the Company did not generate any significant revenue from its Argentina operations during the fourth quarter of 2018.

As of December 31, 2018, the outstanding aggregate principal amount of the Company's outstanding Negotiable Demand Promissory Note was approximately $7.9 million. If the Company's obligations under the Negotiable Demand Promissory Note are accelerated pursuant to its terms, there can be no assurance that the Company will have sufficient funds to repay such obligations or the Company's other obligations.

Management's plans to alleviate substantial doubt include: (i) pursuing the sale of a substantial majority of the equipment, inventory and other operating assets relating to the Company's U.S. operations; (ii) using the proceeds from asset sales to reduce the Company's outstanding liabilities and improve its liquidity; (iii) pursuing strategic alternatives, including alternatives for the Company's operations in Argentina which could include selling, reducing the scale of, or shutting down the Company's operations in Argentina; (iv) significantly reducing the Company's U.S. workforce in alignment with potential near-term opportunities, which actions have been substantially implemented; (v) pursuing new work for the Company's operations in Argentina; and (vi) taking other steps to reduce costs and liabilities. However, there can be no assurance as to the ultimate consummation, timing or amount of proceeds generated from any such asset sales or other actions. Based on the uncertainty of achieving these items and the significance of the factors described above, there is substantial doubt as to the Company's ability to continue as a going concern for a period of 12 months following May 10, 2019.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Estimates are used in, but are not limited to, determining the following: allowance for doubtful accounts, recoverability of long-lived assets and intangibles, useful lives used in depreciation and amortization, income taxes and stock-based compensation. The accounting estimates used in the preparation of the consolidated financial statements may change as new events occur, as more experience is acquired, as additional information is obtained and as the Company's operating environment changes.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains deposits in several financial institutions in both Argentina and the U.S. Funds held in the U.S. may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC"). The Company has not experienced any losses related to amounts in excess of FDIC limits.

Revenue

The Company adopted Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers," which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, effective January 1, 2018, using the modified retrospective method. As there was no material impact on the Company's current revenue recognition processes, no retrospective adjustments were necessary.

Revenue is earned at a point in time when services are rendered, which is generally on a per stage basis for our well stimulation business or fixed daily rate for the Company's coiled tubing operations. All revenue is recognized when a contract with a customer exists, the performance obligations under the contract have been satisfied, the amount to which the Company has the right to invoice has been determined and collectability of amounts subject to invoice is probable. The Company does not incur contract acquisition and origination costs. Taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and, therefore, are excluded from revenues in the consolidated statements of operations and net cash provided by operating activities in the consolidated statements of cash flows.

The Company has elected the practical expedient to recognize revenue based upon the transactional value it has the right to invoice upon completion of each performance obligation per the contract terms, as the Company believes its right to consideration corresponds directly with the value transferred to the customer, and this expedient does not lend itself to the application of significant judgment. As a result of electing these practical expedients, there was no material impact on the Company's current revenue recognition processes and no retrospective adjustments were necessary.

The Company's obligations for refunds as well as the warranties and related obligations stated in its contracts with its customers are standard to the industry and are related to the correction of any defectiveness in the execution of its performance obligations.

The Company expenses sales costs and any commissions when incurred as the amortization period would have been one year or less.

Well Stimulation Revenue

The Company has historically provided well stimulation services based on contractual arrangements, such as term contracts and pricing agreements, or on a spot market basis. Revenue is recognized upon completion of stimulation stages and includes the components of the services and the chemicals and proppants consumed while performing the well stimulation services. For our U.S. business, our performance obligations are defined as stages. In the case of our Argentina business, our performance obligations have been defined as stages plus specific defined services noted within the contract. For both businesses, customers are invoiced upon the completion of each job, which consist of multiple stimulation stages.

Under term pricing agreement arrangements, customers commit to targeted utilization levels at agreed-upon pricing, but without termination penalties or obligations to pay for services not used by the customer. In addition, the agreed-upon pricing is typically subject to periodic review.

Spot market basis arrangements are based on agreed-upon spot market rates.

Coiled Tubing Revenue

For our coiled tubing services, performance obligations are satisfied within a day, in line with day rates established by the contract. Jobs for these services are typically short term in nature, lasting anywhere from a few hours to a few days. Revenue is recognized upon completion of each job based upon a completed field ticket. The Company charges the customer for mobilization, services performed, personnel on the job, equipment used on the job, and miscellaneous consumables at agreed-upon spot market rates.

Disaggregation of Revenue

Revenue activities from continuing operations during twelve months ended December 31, 2018 and 2017, respectively were as follows:

	Year Ended December 31,	
	2018	**2017**
Revenues by service type:		
Well stimulation	$ 40,709,621	$ 24,464,164
Total	$ 40,709,621	$ 24,464,164

See also Item 8. Notes to Consolidated Financial Statements, Note 16: Segment Reporting

Contract Balances

In line with industry practice, the Company bills its customers for its services in arrears, typically when the stage or well is completed or at month-end. The majority of the Company's jobs are completed in less than 14 days. Furthermore, it is currently not standard practice for the Company to execute contracts with prepayment features. As such, the Company's contract liabilities with its customers are immaterial to its unaudited condensed consolidated balance sheets.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, other assets, accounts payable, accrued expenses, capital lease obligations and notes payable. The recorded values of cash and cash equivalents, accounts receivable, other assets, accounts payable, and accrued expenses approximate their fair values based on their short-term nature. The carrying value of capital lease obligations and notes payable approximate their fair value, and the interest rates approximate market rates.

Functional and Reporting Currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency for the Norwegian and Argentine subsidiaries is the U.S. Dollar. The consolidated financial statements are presented in U.S. Dollars, which is the Company's reporting currency.

Net Loss per Common Share

For the twelve months ended December 31, 2018 and 2017, the weighted average shares outstanding excluded shares of common stock issuable upon the exercise of certain stock options and shares of common stock issuable upon the conversion of outstanding shares of Series A Preferred totaling 3,303,721 and 401,393, respectively, from the calculation of diluted earnings per share because these shares would be anti-dilutive. As of June 20, 2017, the Company's convertible debt was converted into common stock at $1.40 per share and therefore the Company no longer has any convertible debt outstanding. Anti-dilutive warrants of 25,000 for each of the twelve months ended December 31, 2018 and 2017 were also excluded from the weighted average share outstanding calculation.

Accounts Receivable

Accounts receivable are stated at amounts management expects to collect from outstanding balances both billed and unbilled (unbilled accounts receivable represents amounts recognized as revenue for which invoices have not yet been sent to clients). Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. The Company evaluated all accounts receivable and determined that an allowance for doubtful accounts was necessary at December 31, 2018, but that no allowance was needed at December 31, 2017. The allowance for doubtful accounts was deemed necessary at December 31, 2018 due to the aging of our Argentina unbilled accounts receivable of $2.1 million being greater than 120 days placing into question our ability to collect on these amounts.

Prepaids and Other Assets

Prepaid expenses and other assets are primarily comprised of U.S. prepaid vehicle registration fees.

Property, Plant and Equipment

Property, Plant and Equipment ("PPE") is stated at historical cost less depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets for financial reporting purposes. Expenditures for major renewals and betterments that extend the useful lives are capitalized. Expenditures for normal maintenance and repairs are expensed as incurred. The cost of assets sold or abandoned, and the related accumulated depreciation are eliminated from the accounts and any gains or losses are reflected in the accompanying consolidated statements of operations for the respective period.

The estimated useful lives of our major classes of PPE are as follows:

Major Classes of PPE	Estimated Useful Lives
Machinery and equipment	2-7 years
Vehicles	5 years
Leasehold improvements	5 years (or the life of the lease)
Furniture and office equipment	3-5 years

In September 2018, we sold certain of our non-core U.S. equipment for $2.9 million, recognizing a gain of $0.3 million. The proceeds were used to fund the general operations of the business. During the fourth quarter of 2018, we sold approximately $5.7 million of plant and equipment and recognized a gain of approximately $0.9 million.

Leases

The Company leased certain equipment under lease agreements. The Company evaluates each lease to determine its appropriate classification as an operating or capital lease for financial reporting purposes. Any lease that does not meet the criteria for a capital lease is accounted for as an operating lease. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair market value of the related assets. Assets under capital leases are amortized using the straight-line method over the lease term. Amortization of assets under capital leases is included in depreciation expense.

Stock-Based Compensation

The Company accounts for its stock options, warrants, and restricted stock grants under the fair value recognition provisions of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 718. The Company currently uses the straight-line amortization method for recognizing stock option and restricted stock compensation costs. The measurement and recognition of compensation expense for all share-based payment awards made to our employees, directors or outside service providers are based on the estimated fair value of the awards on the grant dates. The grant date fair value is estimated using either an option-pricing model which is consistent with the terms of the award or a market observed price, if such a price exists. Such cost is recognized over the period during which an employee, director or outside service provider is required to provide service in exchange for the award, i.e., “the requisite service period” (which is usually the vesting period). The Company also estimates the number of instruments that will ultimately be earned, rather than accounting for forfeitures as they occur. For the years December 31, 2018 and 2017, the Company recorded $2,977,423 and $1,754,706, respectively, of stock-based compensation, which is included in cost of services, and selling, general and administrative expense, in the statement of operations. Total unamortized stock-based compensation expense at December 31, 2018 was $1,432,391 compared to $3,247,370 at December 31, 2017.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment when changes in circumstances indicate that the carrying amount of an asset may not be recoverable. ASC Topic 360 requires the Company to review long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or group of assets may not be recoverable. The impairment review includes a comparison of future cash flows expected to be generated by the asset or group of assets with their associated carrying value. If the carrying value of the asset or group of assets exceeds expected cash flows (undiscounted and without interest charges), an impairment loss is recognized to the extent that the carrying value exceeds the fair value. If estimated future cash flows are not achieved with respect to long-lived assets, additional write-downs may be required.

During 2017, the Company evaluated its long-lived assets for impairment and determined no impairment was necessary.

During the second quarter of 2018, the Company concluded it had a triggering event requiring assessment of impairment for certain of its long-lived assets in conjunction with our decision to move from providing services operating two well stimulation fleets in the U.S. to providing a single well stimulation fleet in the U.S. providing pumping services to a single customer. As a result, crew and staff reductions were taken. Further, the Company reviewed the long-lived assets for impairment and recorded a $3.7 million impairment expense. The full amount is related to our U.S. segment. The impairment was measured using the market approach utilizing an appraisal to determine fair value of the impaired assets.

During the third quarter of 2018, the Company concluded it had a triggering event requiring assessment of impairment for certain of its long-lived assets in conjunction with our decision to pursue the sale of a substantial majority of our U.S. equipment and suspension of its U.S. well stimulation operations. The Company reviewed the long-lived assets for impairment and recorded a $19.7 million impairment expense. The full amount is related to our U.S. segment. The impairment was measured using the market approach utilizing current bid values being obtained for the assets.

During the fourth quarter of 2018, the Company concluded it had a triggering event requiring assessment of impairment for certain of its long-lived assets in conjunction with our decision to pursue the sale of a substantial majority of our U.S. equipment and suspension of our U.S. well stimulation operations, as well as our decision in Argentina to seek opportunities for sale of our assets or business. The Company recorded a loss on impairment during the fourth quarter of 2018 of $5.5 million and $4.4 million (included in discontinued operations) in our U.S. and Argentina segments, respectively. The impairments were measured using the market approach utilizing current net realizable values received in the sale of the assets subsequent to December 31, 2018.

Major Customers and Concentration of Credit Risk

The majority of the Company’s business from inception through the first quarter of 2017 was conducted with major and independent oil and natural gas companies in Argentina. For the twelve months ending December 31, 2018, 78% or $40.7 million and 22% or $11.4 million of our revenue is from the U.S. and Argentina, respectively. The Company evaluates the financial strength of its customers and provides allowances for probable credit losses when deemed necessary. The Company has historically derived a large amount of revenue from a small number of national and independent oil and natural gas companies. At December 31, 2018, the Company had a concentration of receivables with two customers.

For the twelve months ended December 31, 2018 and 2017, two major customers accounted for approximately 97% and 74% of our services revenue, respectively. Our accounts receivable at December 31, 2018 and 2017 were concentrated with two major customers representing 88% and 78%, respectively. The Company did not generate any material revenue from these customers following the third quarter of 2018.

Income Taxes

Deferred income taxes are determined using the asset and liability method in accordance with ASC Topic 740. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income taxes are measured using enacted tax rates expected to apply to taxable income in years in which such temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income taxes is recognized in the consolidated statement of operations of the period that includes the enactment date. In addition, a valuation allowance is established to reduce any deferred tax asset for which it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized.

The Company is subject to U.S. federal and foreign income taxes along with state income and franchise taxes in Texas and Oklahoma. When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Recently Issued and Adopted Accounting Guidance

In May 2017, the FASB issued ASU No. 2017-09, Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting, which clarifies when modification accounting should be applied for changes to terms or conditions of a share-based payment award. This ASU is applied prospectively and is effective for fiscal years beginning after December 15, 2017, and interim periods within those years, with early adoption permitted. We adopted ASU 2017-09 in the first quarter of 2018, with such adoption having no material impact on the accompanying condensed consolidated financial statements.

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which replaced most existing revenue recognition guidance in U.S. GAAP when it became effective. This new standard requires us to recognize the amount of revenue to which we expect to be entitled for the transfer of promised goods or services to customers. We adopted the new standard using the modified retrospective application in the first quarter of 2018, with such adoption having no impact on the accompanying condensed consolidated financial statements and no cumulative effect adjustment was recognized.

Accounting Guidance Issued But Not Adopted as of December 31, 2018

On February 25, 2016, the FASB issued ASU 2016-02 Leases (Topic 842), which requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases. ASU 2016-02 will also require new qualitative and quantitative disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the effect this standard will have on its future condensed consolidated financial statements and related disclosures but does not expect adoption of have a material impact.

3. Accounts Receivable

Accounts receivable by category were as follows:

	December 31, 2018	December 31, 2017
Billed	$ 116,314	$ 2,218,227
Unbilled	66,150	3,474,252
Total accounts receivable	$ 182,464	$ 5,692,479

As of December 31, 2018, $66,150 unbilled accounts receivable related to the U.S., and were billed subsequent to December 31, 2018.

Receivables Agreement. On February 8, 2018, we entered into a Recourse Receivables Purchase & Security Agreement (the “Receivables Agreement”) with Porter Capital Corporation (“Porter Capital”). Under the terms of the Receivables Agreement, we sold accounts receivable (“Accounts”) to Porter Capital in exchange for funds in an amount equal to 80% (or less as percentage is subject to credit limits established by Porter Capital) of the face amount of the applicable Account at the time of sale of the Account, with the remaining 20% of the face amount of the applicable Account to be held back as a required reserve amount to be paid to us following Porter Capital’s receipt of payment on the Account by the account debtor, less applicable fees and interest charges. The total face amount of outstanding Accounts purchased by Porter Capital under the Receivables Agreement could not exceed $12.5 million.

Under the terms of the Receivables Agreement, we were obligated to pay interest on the face amount of the outstanding and unpaid Accounts purchased by Porter Capital, less the amount of the reserve account, at an interest rate equal to the Prime Rate (as defined in the Receivables Agreement) plus 8.25%. We were obligated under the Receivables Agreement to pay certain fees, including a fee (the “Minimum Term Fee”) payable upon termination of the agreement in an amount equal to: (i) the monthly interest rate multiplied by $5 million, multiplied by the number of months in the agreement term, less the amount of actual interest paid during the term of the agreement; or (ii) following the occurrence of an Event of Default (as defined below) that has not been cured within the time periods contemplated under the agreement, $1.8 million, less the amount of actual interest paid during the term of the agreement. The Minimum Term Fee was also subject to reduction under certain circumstances if Porter Capital did not purchase certain eligible Accounts that were presented for purchase by us.

All of our obligations under the Receivables Agreement were secured by liens on certain of our assets, including the accounts receivable, chattel paper, inventory relating to our U.S. operations and certain equipment used for our U.S. operations (excluding equipment subject to vendor financing) (collectively, the “Collateral”). The Receivables Agreement further provided for customary events of default (“Events of Default”), including but not limited to the failure to make payments when due; insolvency events; the failure to comply with covenant obligations arising under the agreement or other agreements with Porter Capital or its affiliates; and breaches of representations and warranties. Upon the occurrence of an Event of Default, Porter Capital could terminate the Receivables Agreement and declare all of our outstanding obligations under the Receivables Agreement to be due and payable. The Receivables Agreement had an initial term of one year and would renew for successive one-year terms unless we provided notice of cancellation in accordance with the terms of the Receivables Agreement.

On October 19, 2018, the Company terminated its Recourse Receivables Purchase & Security Agreement (“Receivables Agreement”) with Porter Capital Corporation (“Porter”). The Receivables Agreement had an initial term of one-year, with the Company permitted to terminate the Receivables Agreement prior to expiration of the initial term upon written notice to Porter and payment of the Company’s outstanding obligations under the Receivables Agreement, including amounts owed as a minimum term fee calculated in accordance with the terms of the Receivables Agreement. On October 19, 2018, the Company delivered a notice to Porter of our intent to terminate the Receivables Agreement following initial term upon written notice to Porter and payment of our outstanding obligations under the Receivables Agreement, including a minimum term fee of approximately $0.2 million. As a result, the Company will no longer be able to obtain funds under the Receivables Agreement and the collateral has been released from liens that had secured the Company’s obligations under the Receivables Agreement.

For sales of our receivables under this Receivables Agreement, the Company applies the guidance in ASC 860, “*Transfers and Servicing – Sales of Financial Assets*”, which requires the derecognition of the carrying value of those accounts receivable in the Condensed Consolidated Balance Sheets.

4. Prepaids

Prepaid by category were as follows:

	December 31, 2018	December 31, 2017
Prepaid insurance	$ —	$ 10,866
Prepaid other vendors and vehicle registrations	81,459	688,284
Total prepaid	$ 81,459	$ 699,150

A majority of the decrease in Prepaids is attributable to U.S. non-renewal of vehicle registrations associated with vehicles sold or to be sold.

5. Other Assets

	December 31, 2018	December 31, 2017
Deposits	$ 50,130	$ 200,846
Other current assets	19,105	53,608
Total other current assets	$ 69,235	$ 254,454

A majority of the decrease in other assets is primarily attributable to non-recurring deposits made in 2017 to equipment vendors for equipment purchases.

6. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	December 31, 2018	December 31, 2017
Machinery & equipment	$ 3,982,112	$ 11,961,470
Less accumulated depreciation	(1,932,112)	(960,197)
Property, plant and equipment, net	$ 2,050,000	$ 11,001,273

Property, plant and equipment, net decreased from December 31, 2017 to December 31, 2018 due primarily to 2018 impairment charges, sales of U.S. assets in the fourth quarter of 2018, and depreciation of $14.2 million recorded during 2018.

7. Accrued Expenses

Accrued expenses consist of the following:

	December 31, 2018	December 31, 2017
Accrued salaries	$ 141,573	$ 502,994
Accrued accounts payable trade expenses	2,252,171	365,866
Accrued bonuses	121,483	524,000
Accrued sales tax	37,441	—
Accrued dividends	900,000	—
Accrued unused paid time off	199,324	214,062
Accrued interest	108,143	—
Total accrued expenses	$ 3,760,135	$ 1,606,922

Accrued accounts payable trade increased from 2018 to 2017 primarily due to the accrual of contract penalties charged by a supply vendor and accruals for U.S. sales taxes owed to state tax authorities owed at December 31, 2018.

8. Debt

The carrying values of our debt obligations as of December 31, 2018 and 2017 were as follows:

	December 31, 2018		December 31, 2017	
	Short Term	Long Term	Short Term	Long Term
Demand Note	$ 7,916,188	$ —	$ —	$ —
Total	$ 7,916,188	$ —	$ —	$ —

Negotiable Demand Promissory Note

On June 8, 2018, the Company executed a Negotiable Demand Promissory Note (the "Demand Note") in the principal amount of up to $15.0 million in favor of Eco-Lender, LLC (the "Lender"), a Delaware limited liability company and an affiliate of one or more funds that are managed by Fir Tree Capital Management LP (together with its affiliated funds, "Fir Tree") and/or its affiliates, which affiliated funds collectively hold a majority of the outstanding shares of capital stock of the Company. Pursuant to the Demand Note, on June 8, 2018, the Lender advanced approximately $5.5 million of gross proceeds and $5.1 million of net proceeds after transaction expenses to the Company (the "Initial Advance") and on August 16, 2018 the Lender advanced an additional $3.0 million of gross proceeds and $2.97 million of net proceeds to the Company. As of December 31, 2018, the aggregate principal amount outstanding under the Demand Note was approximately $7.9 million.

Interest on the unpaid principal balance of the Note accrues at an annual rate of 10%, subject to a default interest rate of 14.00% or 24.00%, depending on the payment date following the occurrence of a default. All payments of principal, interest and other amounts under the Demand Note are payable immediately upon written demand by the Lender to the Company; provided, however, the Lender cannot make any demand for payment under the Demand Note until the earlier of (A) 45 days after the date of the Demand Note, (B) the occurrence of a material adverse change as defined in the Note and determined by the Lender in its sole and absolute discretion, (C) the occurrence of any default or event of default under any material agreement of the Company or any of its subsidiaries, and (D) the date upon which the Company or any of its subsidiaries ceases operating for any reason.

The Company may prepay, in whole or in part, at any time, the principal, interest and other amounts owing under the Demand Note subject to a prepayment premium of 4.00% of the aggregate amount of such prepayment (inclusive of interest and other amounts due and owing under the Demand Note), provided that the minimum amount of any such prepayment is equal to the lesser of $1 million and the then outstanding balance of the Demand Note.

All of the Company's obligations under the Demand Note are guaranteed by EcoStim, Inc., a Texas corporation and a wholly owned subsidiary of the Company ("EcoStim"), and secured by a security interest (subject to permitted liens) in substantially all of the personal property of the Company and EcoStim, including 100% of the outstanding equity of the Company's U.S. subsidiaries (including EcoStim) and 65% of the outstanding equity of the Company's non-U.S. subsidiaries; provided, however, that the Lender had a subordinate lien on those assets of the Company and EcoStim that were subject to the lien of Porter Capital pursuant to the Receivables Agreement. As a result of our October 19, 2018 termination of the Receivables Agreement, all collateral has been released that had been secured under the Receivables Agreement.

Long-Term Notes Payable

Convertible Note Facility

On March 3, 2017, the Company entered into a transaction with Fir Tree pursuant to which Fir Tree purchased from ACM entities $22 million aggregate principal amount of the Company's outstanding 14% convertible notes which were due in 2018, ("the ACM Note") and 2,030,436 shares (pre-split) of the Company's outstanding common stock, par value $0.001 per share. This transaction was part of a comprehensive recapitalization designed to create a path to a potential conversion to equity of substantially all the Company's debt, subject to stockholder approval. As part of the transaction, the ACM Note was amended and restated (the "A&R Convertible Note") and the Company issued to Fir Tree an additional $19.4 million aggregate principal amount convertible note (the "New Convertible Note"), representing an additional $17 million aggregate principal amount of convertible notes issued by the Company to Fir Tree on March 3, 2017, and approximately $2.4 million principal amount of convertible notes in payment of accrued and unpaid interest on the ACM Note. The unpaid principal amount of the A&R Convertible Note and the New Convertible Note bore an interest rate of 20% per annum and, if stockholder approval were not obtained, would have matured on May 28, 2018.

After giving effect to these transactions, the Company had approximately $41.4 million of outstanding convertible notes. Fir Tree agreed to convert all the outstanding convertible notes into common stock at a conversion price of $1.40 per share, subject to receipt of stockholder approval and satisfaction of certain other conditions. On June 15, 2017, with stockholder approval, all the outstanding convertible notes were subsequently converted into common stock and the Company issued approximately 29.5 million shares of common stock to Fir Tree as a result of such conversion.

9. Equity

Stockholders' Equity

The Company has implemented a reverse stock split to reduce the number of shareholders of record to allow the Company to deregister the common stock and reduce ongoing expenses with respect to filings under the Exchange Act. Share amounts reflected in the consolidated financial statements and this note are on a post-stock split basis and give effect to the 4:1 reverse stock split effected by the Company in February 2019, except as indicated otherwise. After the filing of this Annual Report on Form 10-K for the fiscal year ended December 31, 2018, and the filing of a Form 15 to terminate the Company's reporting obligations under Sections 12(b) and 12(g) of the Exchange Act and suspend the Company's reporting obligations under Section 15(d) of the Exchange Act, the Company will no longer be subject to certain provisions of the Exchange Act. In particular, the Company's obligations to publicly file periodic and current reports with the SEC will be suspended.

The Company has 50,000,000 shares of preferred stock authorized at $0.001 par value, 30,000 of which have been designated as Series A Convertible Preferred Stock ("Series A Preferred"). At December 31, 2018 and 2017, the Company had 10,600 shares of Series A Preferred and 0 shares of preferred stock issued and outstanding and none issued or outstanding, respectively. The Company has 200,000,000 shares of Common Stock authorized at $0.001 par value per share, of which 18,849,935 shares were issued and 18,844,472 shares were outstanding as of December 31, 2018 and of which 18,649,937 shares issued and 18,644,474 shares outstanding as of December 31, 2017.

As disclosed previously in Form 8-K filed February 14, 2019, the Company has implemented a reverse stock split. The reverse stock split reduced the number of shareholders of record and allows the Company to deregister the common stock and reduce ongoing expenses with respect to filings under the Exchange Act. Those shareholders who, immediately following the reverse stock split, held only a fraction of a share of the Company's common stock were paid, in lieu thereof, an amount in cash equal to $0.08 (on a post-split basis) times such fraction of a share and are no longer shareholders of the Company. After the filing of this Annual Report on Form 10-K for the fiscal year ended December 31, 2018, and the filing of a Form 15 to suspend the Company's reporting obligations under Section 15(d) of the Exchange Act, the Company will no longer be subject to certain provisions of the Exchange Act. In particular, the Company's obligations to publicly file periodic and current reports with the SEC under Section 15(d) of the Exchange Act will be suspended.

Common Stock and Issuances

On July 6, 2017, the Company closed a private placement of shares of the Company's common stock providing gross proceeds of $15.0 million, and net of costs proceeds of $14.9 million. As part of the offering, the Company issued 10,000,000 shares (pre-split) of its common stock for $1.50 per share to certain existing shareholders. The proceeds from the offering were used to finance capital expenditures to support existing contracts the Company has in both Oklahoma and Argentina, for working capital and for other general corporate purposes.

On August 8, 2017, the Company closed on a private placement of shares of the Company's common stock providing gross proceeds of $28 million, with net of costs proceeds of $26.7 million. As part of the offering, the Company issued an aggregate of 19,580,420 shares (pre-split) of its common stock for $1.43 per share to two existing stockholders and several new institutional investors. The proceeds from this offering were used to finance capital expenditures to support the Company's most recent customer contract in Oklahoma, for working capital and for other general corporate purposes.

Preferred Stock and Issuance

On March 29, 2018, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with Fir Tree, its majority stockholder, pursuant to which Fir Tree agreed to purchase 10,000 shares of the Company's newly-designated Series A Preferred, at a price of $1,000 per share. An initial closing was conducted on April 2, 2018 providing $10.0 million of gross proceeds and $9.7 million of net proceeds after expenses to the Company.

Each share of Series A Preferred ranks senior to the Company's common stock with respect to dividend rights and rights upon the liquidation, winding-up or dissolution of the Company and has a stated value of $1,000 per share (the "Stated Value"). In the event the Company is liquidated, wound up or dissolved, or if the Company effects any Deemed Liquidation Event (as defined below), the holders of Series A Preferred are entitled to receive in respect thereof the greater of (i) the Stated Value plus any accrued and unpaid dividends thereon, (ii) the amount the holder thereof would receive if such shares of Series A Preferred were converted into common stock immediately prior to such liquidation, dissolution, winding up or Deemed Liquidation Event or (iii) a liquidating distribution equal to 1.5 times the Stated Value. A "Deemed Liquidation Event" includes certain merger or consolidation transactions, a sale of all or substantially all of the Company's assets, a change of control transaction or similar event.

Holders of Series A Preferred are entitled to vote with holders of the Company's common stock and are entitled to one vote per share of common stock into which a share of Series A Preferred is then-convertible on any matter on which holders of the capital stock of the Company are entitled to vote. Each share of Series A Preferred was initially and as of December 31, 2018 convertible, at the option of the holder at any time, into a number of shares of common stock determined by dividing the Stated Value plus any dividends accrued but unpaid thereon by the conversion price of $1.15 (subject to adjustment for stock splits, combinations, certain distributions or similar events). In addition, for so long as shares of Series A Preferred are outstanding, the affirmative vote or consent of holders of a majority of the outstanding shares of Series A Preferred, voting together as a separate class, is necessary before taking certain actions, including but not limited to (i) amending the articles of incorporation, the bylaws or the Certificate of Designation for the Series A Preferred in a manner that would materially and adversely or disproportionately affect the powers, preferences or rights of the Series A Preferred, (ii) liquidating, dissolving or winding up the Company or entering into a Deemed Liquidation Event, (iii) creating or issuing any class of capital stock unless it ranks junior to the Series A Preferred with respect to the distribution of assets on the liquidation, dissolution or winding up of the Company or any Deemed Liquidation Event, payment of dividends and rights of redemption, (iv) reclassifying, altering or amending any existing security that is pari passu or junior to the Series A Preferred with respect to the distribution of assets on the liquidation, dissolution or winding up of the Company or any Deemed Liquidation Event, payment of dividends and rights of redemption if such reclassification, alteration or amendment would render such other security senior or pari passu with the Series A Preferred in respect of any such right, preference or privilege, (v) subject to certain exceptions, purchasing or redeeming any shares of capital stock or paying any dividend or making any distribution thereon and (vi) issuing any shares of Series A Preferred to anyone other than the original holders of the Series A Preferred. Holders of Series A Preferred are entitled to cumulative dividends payable semi-annually in arrears at a rate of (i) 10% per year, if paid in cash, or (ii) 12% per year, if, at the election of the Company, paid through the issuance of additional shares of Series A Preferred. In addition to the dividend rights described above, holders of Series A Preferred are entitled to receive dividends or distributions declared or paid on common stock on an as-converted basis. Following the end of the third quarter of 2018, the Company paid the initial preferred dividend on all outstanding shares of Series A Preferred through the issuance of 600 additional shares of Series A Preferred.

The Company may redeem shares of Series A Preferred at any time in cash at a price per share equal to the greater of (i) the Stated Value plus any accrued and unpaid dividends thereon and (ii) the product of 1.5 times the Stated Value.

Treasury Stock

On December 15, 2015, the Board authorized the Company to repurchase, from time to time during the period from December 16, 2015 through December 16, 2017, up to $5 million in shares of its outstanding common stock. As of December 31, 2017, the Company had purchased 21,850 shares at a cost of $57,469 under the buy-back program. No shares were repurchased during 2018.

Warrants

In the fourth quarter of 2013, the Company executed a sale-leaseback transaction with a third party that included an inducement payment of 25,000 common stock warrants. The exercise price per share of the common stock under the agreement is $7.00. The agreement expires five years after the date of issuance. The warrants can be exercised on a one for one basis starting July 1, 2014.

The estimated fair value of the warrants at issuance was approximately $0.3 million and was calculated using the Black-Scholes method with the following weighted average assumptions being used.

Volatility	75%
Expected lives years	2.88
Expected dividend yield	—
Risk free rates	0.12%

10. Employee Benefit Plan

The Company adopted a safe harbor defined contribution 401(k) plan effective January 1, 2012, covering all Company employees in the US headquarters and US operations. Under the plan, the Company contributes 5% towards the employee 401k. The contribution is fully vested at the time of contribution. The Company's contributions for the years ended December 31, 2018 and 2017 were $284,582 and $326,683, respectively.

11. Stock-Based Compensation

The Company has two stock incentive plans, the 2013 Stock Incentive Plan (the "2013 Plan") and the 2015 Stock Incentive Plan (the "2015 Plan"), (or collectively, "the Plans"), for the granting of stock-based incentive awards, including incentive stock options, non-qualified stock options and restricted stock, to employees, consultants and members of the Company's Board. The 2013 Plan was adopted in 2012 and amended in 2013 and authorizes 1,000,000 shares to be issued under the 2013 Plan. The 2015 Plan, formerly known as "the 2014 Stock Incentive Plan," was adopted in 2014 and was amended in 2015 and 2016 to authorize a total of 700,000 additional shares, resulting in a maximum of 1,700,000 shares being authorized for issue under the modified 2015 Plan. Both the 2013 Plan and the 2015 Plan have been approved by the stockholders of the Company. On June 15, 2017, at our annual meeting of stockholders (the "2017 Annual Meeting"), our stockholders approved an increase to the aggregate maximum number of shares available under the 2015 Plan by 5,000,000 shares (from 1,200,000 shares to 6,200,000 shares). On June 20, 2018, at our annual meeting of stockholders (the "2018 Annual Meeting"), our stockholders approved an increase to the aggregate maximum number of shares of common stock available under the 2015 Plan by 3,000,000 shares (from 6,200,000 shares to 9,200,000 shares). As of December 31, 2018, 256,991 shares were available for grant under the 2013 Plan and 2,075,686 shares were available for grant under the 2015 Plan. Share amounts set forth above are on a pre-stock split basis.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. Option valuation models require the input of highly subjective assumptions including the expected stock price volatility. The expected life of awards granted represents the period of time that they are expected to be outstanding. The Company determined the initial expected life based on a simplified method in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 718, giving consideration to the contractual terms, vesting schedules, and pre-vesting and post-vesting forfeitures.

The Company recorded $2,977,423 and $1,754,706 for 2018 and 2017, respectively, of stock-based compensation, which is included in selling, general, and administrative expense and cost of sales in the accompanying consolidated statement of operations. Total unamortized stock-based compensation expense at December 31, 2018 was $1,432,391.

Stock Options

Options granted vest over a period of two to four years, subject to the optionee's continued employment or service, and may have an expiration date not longer than ten years following the date of grant. The Plans specify that the per share exercise price of an incentive stock option may not be less than 110% of the fair market value of the Company's common stock on the date of grant, and the per share exercise price of a non-qualified stock option may not be less than the fair market value of the Company's common stock on the date of grant. The Company's general practice has been to grant options with a per share exercise price equal to the fair market value of the Company's common stock on the date of grant.

A summary of the Company's stock option activity for the years ended December 31, 2018 and 2017 is presented below:

Awards	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Options outstanding at December 31, 2016	239,428	$ 5.20	7.44
Granted	1,062,242	1.84	
Exercised	—	—	
Forfeited	(35,420)	5.18	
Options outstanding at December 31, 2017	1,266,250	$ 2.38	8.26
Granted	—	—	
Exercised	—	—	
Forfeited	(132,762)	1.25	
Options outstanding at December 31, 2018	1,133,488	1.75	8.14
Options exercisable at December 31, 2018	934,156	2.47	7.69

As of December 31, 2018, the range of exercise prices for outstanding options was $0.33 – $7.00.

There were no stock options exercised during 2018 or 2017. The intrinsic value is calculated as the total number of option shares multiplied by the excess of the closing price of our common stock on the last trading day over the exercise price of the options. This amount changes based on the fair market value of our common stock. Had all option holders exercised their options on December 31, 2018, the aggregate intrinsic value of the options would have been $1,545 on December 31, 2018.

The following table presents the assumptions used in determining the fair value of option awards for the year ended December 31, 2018:

	2018
Weighted average grant date fair value per share of awards granted	$ 0.76
Significant fair value assumptions:	
Expected term (in years)	5.75
Volatility	52.54%
Risk-free interest rate	0.03%
Expected dividends	—

Restricted Stock

A summary of award activity under the Plan for the years ended December 31, 2018 and 2017 is presented below:

	Shares	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2016	54,187	
Granted	276,025	1.42
Vested	(83,875)	
Non-vested at December 31, 2017	246,337	
Granted	600,397	0.76
Vested	(220,710)	
Expired	(154,844)	
Non-vested at December 31, 2018	471,180	

The weighted average grant date fair value of awards of restricted stock is based on the market price of the Company's common stock on the date of the grant.

12. Commitments and Contingencies

Capital Lease Obligations

The Company leased certain equipment from a third party with certain prepayments being made securing the final six months of payments on the lease. Lease payments are $81,439 per month, with the final three months of prepaid payments being shown as other non-current assets in the consolidated balance sheets with a balance of $244,317. The minimum present value of the lease payments is $0.7 million with terms of sixty months and implied interest of 14%.

During 2018, the Company leased certain other equipment through an equipment lease purchase agreement with a third party. Lease payments ranged between $261,240 per month to $1,077,615 per month based on the agreement. The minimum present value of the lease payment is $3.3 million with an initial term of six months and implied interest rate of 8%. During the fourth quarter of 2018, the Company negotiated with the third party returning the leased equipment and dissolving the lease agreement and any further commitments.

Operating Leases

The Company's operating leases correspond to facilities and office space in the United States. The operating leases also correspond to operational equipment utilized by the Company's U.S. operations. The future minimum lease payments as of December 31, 2018 are as follows:

	Operating Leases
2019	$ 308,928
2020	—
Thereafter	—
Total	$ 308,928

Commitments

Historically, in the course of operations, we entered into certain long-term raw material supply agreements for the supply of proppant to be used in hydraulic well stimulation in our U.S. operations. As part of these agreements, we are subject to minimum tonnage purchase requirements and may pay penalties in the event of any shortfall. Additionally, we have entered into certain long-term transportation agreements for the transportation of raw material from the vendors' point of delivery to the well site to support our U.S. operations. Per the agreements with these vendors, we are subject to certain minimum commitments under the long-term transportation agreements.

In September 2018, we completed work under our pressure pumping contract with our primary U.S. customer. Given the weakness of the U.S. well stimulation market, in September 2018 we elected to suspend our U.S. well stimulation operations and significantly reduce our U.S. workforce in alignment with potential near-term opportunities, including pump down and miscellaneous pumping services. With this decision, we believe it is probable that we will not fulfill our commitments within the requirements under U.S. GAAP Contingencies (Topic 450) regarding certain of the above noted supply and transportation agreements. As such, we have recorded accruals related to what we believe to be reasonable estimates related to the future settlements of these contingencies of $2.0 million recorded in Accounts Payable and Accrued expenses in our Consolidated Financial Statements. We intend to seek to negotiate with the counterparties to these agreements and therefore, the amount of ultimate settlement may be higher or lower than what we have recorded, with the maximum aggregate potential liability estimated by us to be approximately $3.5 million, including estimated litigation expenses. Payment terms would also be established upon settlement with these counterparties.

Legal Proceedings

From time to time, we may be a party or otherwise subject to legal or regulatory proceedings or other claims incidental to or arising in the ordinary course of our business. While the ultimate outcome of these matters cannot be predicted at this time, we do not expect that the resolution of these matters will have a material adverse effect on our consolidated financial position, results of operations or cash flows.

On May 1, 2018, a collective action lawsuit was filed against Eco-Stim Energy Solutions, Inc. and certain of its subsidiaries by a former employee in the United States District Court for the Southern District of Texas (Houston Division) alleging that we failed to pay a class of workers in compliance with the Fair Labor Standards Act and seeking recovery of such wages, attorney's fees, costs, interest and other related damages. In September 2018, this case was stayed pending resolution through arbitration proceedings among the parties. On or about May 3, 2019, both parties agreed to a mutually acceptable settlement and release agreement, with no material adverse effect on our consolidated financial position, results of operations or cash flows.

In addition, seven of our vendors have filed lawsuits against us in seven separate Texas state court actions, and two of our vendors have filed lawsuits against us and a former customer in two separate Oklahoma state court actions. All together, they are seeking to collect an aggregate of approximately $3.4 million of damages for amounts alleged to be owed by us for various goods, equipment or services alleged to have been provided by such vendors, as well as pre-judgment and post-judgment interest and attorney's fees. In addition, certain of our vendors have threatened to file liens against certain assets of our former customers with respect to amounts alleged to be owed by us for various goods, equipment or services alleged to have been provided by such vendors in an aggregate amount of approximately $3.8 million. We intend to vigorously contest these matters or seek mutually agreeable settlements of the claimed amounts, and we may incur material expenses in connection with the resolution of these lawsuits and claims. We are currently not able to predict the outcome of these cases and whether mutually acceptable settlements and resolution can be obtained. If these matters cannot be resolved at acceptable levels, they could have a material adverse effect on our consolidated financial position, results of operations or cash flows, however we are unable to predict the effect on our consolidated financial position, results of operations or cash flows.

13. Related Party Transactions

Transactions with Fir Tree

On March 3, 2017, the Company entered into a transaction with Fir Tree pursuant to which Fir Tree purchased from ACM Emerging Markets Master Fund I, L.P. $22 million aggregate principal amount of the Company's outstanding convertible notes which were due in 2018. This transaction was part of a comprehensive recapitalization designed to create a path to a potential equalization of substantially all of the Company's debt, subject to stockholder approval. As part of the transaction, the Company issued to Fir Tree an additional $19.4 million aggregate principal amount of convertible notes. After giving effect to these transactions, the Company had approximately $41.4 million of outstanding convertible notes. Fir Tree agreed to convert all of the outstanding convertible notes into common stock at a conversion price of $1.40 per share, subject to receipt of stockholder approval and satisfaction of certain other conditions.

On June 20, 2017, the Company converted such notes into Common Stock at a price of $1.40 per share and issued 29,538,786 shares of Common Stock to Fir Tree (the "Conversion"), upon the Company receiving stockholder approval at the Annual Meeting of Stockholders of the Company on June 15, 2017. As such, all obligations under the notes have been deemed paid in full and the notes have been terminated. No termination penalty or fee was incurred in connection with the termination of the notes. The Conversion reduced the Company's debt by approximately $41.4 million.

On March 29, 2018, we entered into a Securities Purchase Agreement (the "Purchase Agreement") with Fir Tree, pursuant to which Fir Tree agreed to purchase 10,000 shares of our newly-designated Series A Convertible Preferred Stock, par value $0.001 per share (the "Series A Preferred"), at a price of $1,000 per share. The transaction closed on April 2, 2018 providing for our sale and issuance of 10,000 shares of Series A Preferred, providing $10.0 million of gross proceeds and $9.7 million of net proceeds after expenses to us. Holders of Series A Preferred are entitled to cumulative dividends payable semi-annually in arrears at a rate of (i) 10% per year if we elect to pay the dividend in cash, or (ii) 12% per year if we elect to pay the dividend through the issuance of additional shares of Series A Preferred. On October 1, 2018, we paid the initial dividend on the outstanding shares of Series A Preferred through the issuance of an aggregate of 600 additional shares of Series A Preferred to the holders of outstanding shares of Series A Preferred.

On June 8, 2018, we executed a negotiable demand promissory note (the "Demand Note") in the principal amount of up to $15.0 million in favor of Eco-Lender, LLC (the "Lender"), a Delaware limited liability company and an affiliate of Fir Tree. Pursuant to the Demand Note, on June 8, 2018, the Lender advanced approximately $5.5 million of gross proceeds and $5.1 million of net proceeds after expenses and on August 16, 2018 the Lender advanced an additional $3.0 million of gross proceeds and $2.97 million of net proceeds to us under the Demand Note. We do not have any right to re-borrow any amounts that have been advanced and repaid under the Demand Note. In addition, the Lender is not obligated to make any additional advances under the Note.

Interest on the unpaid principal balance of the Demand Note accrues at an annual rate of 10%, subject to a default interest rate of 14.00% or 24.00% depending on the payment date following the occurrence of a default. All payments of principal, interest and other amounts under the Demand Note are payable immediately upon written demand by the Lender to us; provided, however, the Lender cannot make any demand for payment under the Demand Note until the earlier of (A) 45 days after the date of the Demand Note, (B) the occurrence of a material adverse change as defined in the Demand Note and determined by the Lender in its sole and absolute discretion, (C) the occurrence of any default or event of default under any material agreement of ours or any of our subsidiaries, and (D) the date upon which we or any of our subsidiaries ceases operating for any reason.

We may prepay, in whole or in part, at any time, the principal, interest and other amounts owing under the Demand Note subject to a prepayment premium of 4.00% of the aggregate amount of such prepayment (inclusive of interest and other amounts due and owing under the Demand Note), provided that the minimum amount of any such prepayment is equal to the lesser of $1 million and the then outstanding balance of the Demand Note.

All of our obligations under the Note are guaranteed by our wholly owned subsidiary, EcoStim, Inc. ("EcoStim"), and secured by a security interest (subject to permitted liens) in substantially all of our personal property, including 100% of the outstanding equity of the our U.S. subsidiaries (including EcoStim, Inc.) and 65% of the outstanding equity of our non-U.S. subsidiaries; provided, however, that the Lender had a subordinate lien on those of our assets that were subject to the lien of Porter Capital pursuant to the Receivables Agreement prior to the termination of such agreement.

July 2017 and August 2017 Private Placements

On July 6, 2017, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with each of the purchasers identified on the signature pages thereto, including funds affiliated with Fir Tree and Bienville (collectively, the "July Purchasers") pursuant to which the July Purchasers agreed to purchase 10,000,000 shares of the Company's common stock, par value $0.001 per share, at a price of $1.50 per share (the "July Private Placement"). The issuance of the Shares pursuant to the Purchase Agreement was made in reliance upon an exemption from registration provided under Section 4(a)(2) of the Securities Act. The July Private Placement closed on July 6, 2017 and resulted in approximately $15.0 million of gross proceeds and approximately $14.8 million of net proceeds (after deducting the Company's estimated expenses).

In connection with the closing of the July Private Placement, the Company and the July Purchasers entered into that certain Amended & Restated Registration Rights Agreement, dated July 6, 2017 (the "Registration Rights Agreement"). Under the Registration Rights Agreement, the Company agreed to (i) use its reasonable best efforts to file a Registration Statement (as defined in the Registration Rights Agreement) on Form S-1 or any successor form thereto (each a "Long-Form Registration" as defined in the Registration Rights Agreement) with the Securities and Exchange Commission (the "Commission") upon the initial request of registration from the Demand Holders (as defined in the Registration Rights Agreement) within ninety (90) days after the date on which the initial request is given; and (ii) use its reasonable best efforts to file a Registration Statement on Form S-3 or any successor form thereto, if the Company is qualified for the use of Form S-3, (each a "Short-Form Registration" as defined in the Registration Rights Agreement) with the Commission upon the initial request of registration from the Demand Holders within sixty (60) days after the date on which the initial request is given. In addition, the Registration Rights Agreement provides holders of Registrable Securities (as defined in the Registration Rights Agreement) piggyback registration rights, subject to certain underwriter cutbacks and issuer blackout periods. The Company also agreed to pay all fees and expenses relating to the registration and disposition of the Registrable Securities in compliance with the Company's obligations under the Registration Rights Agreement.

In addition, in connection with the closing of the July Private Placement, the Company's Amended and Restated Stockholders Agreement dated as of March 3, 2017 (the "Rights Agreement") was amended to clarify certain procedures set forth in the Rights Agreement with respect to matters subject to approval by directors nominated by FT SOF VII Holdings, LLC, an affiliate of Fir Tree Partners.

On August 2, 2017, the Company entered into a Common Stock Subscription Agreement (the "Subscription Agreement") with (i) affiliates of Fir Tree, pursuant to which such Fir Tree affiliates agreed to purchase 9,456,056 shares (pre-split) of the Company's common stock, (ii) Bienville Argentina Fund, pursuant to which Bienville agreed to purchase 1,923,077 shares (pre-split) of the Company's common stock and (iii) certain other purchasers identified on the signature pages thereto (the "August Purchasers") pursuant to which such other August Purchasers agreed to purchase an aggregate of 10,124,364 shares of the Company's common stock, in each cases of clauses (i), (ii) and (iii), at a price of $1.43 per share, which was the closing market price for the Company's Common Stock on August 1, 2017 (collectively, the "August Private Placement"). The issuance of such shares of Common Stock pursuant to the Subscription Agreement was made in reliance upon an exemption from registration provided under Section 4(a)(2) of the Securities Act. The August Private Placement closed on August 8, 2017 and resulted in approximately $28.0 million of gross proceeds and approximately $26.7 million of net proceeds (after deducting the Company's estimated expenses).

In connection with the August Private Placement, the Company, Fir Tree, Bienville Argentina Fund, and the August Purchasers entered into a new Registration Rights Agreement as of August 2, 2017 that became effective upon the closing of the August Private Placement (the "PIPE Registration Rights Agreement"). Under the PIPE Registration Rights Agreement, the Company agreed to (i) use its reasonable best efforts to file a Registration Statement ("Shelf Registration Statement" as defined in the PIPE Registration Rights Agreement) with the Commission no later than sixty (60) days following the closing date of the August Private Placement, to be effective no later than one hundred twenty (120) days following such closing date. In addition, the PIPE Registration Rights Agreement provides holders of Registrable Securities (as defined in the PIPE Registration Rights Agreement) piggyback registration rights, subject to certain underwriter cutbacks and issuer blackout periods. The Company agreed to pay all fees and expenses relating to the registration and disposition of the Registrable Securities in compliance with the Company's obligations under the PIPE Registration Rights Agreement.

In connection with the August Private Placement, the prior Restated Registration Rights Agreement, dated as of March 3, 2017 (the "Existing Registration Rights Agreement"), among the Company, Fir Tree, Bienville and the other parties thereto, was amended so as to include definitions related to the August Private Placement, to clarify certain clauses set forth in the Existing Registration Rights Agreement with respect to the Shelf Registration Statement as defined in the PIPE Registration Rights Agreement, and to clarify certain aspects of the relationship between the Company's obligations under the Existing Registration Rights Agreement and the Company's obligations under the PIPE Registration Rights Agreement.

The Registration Rights Agreement and the PIPE Registration Rights Agreement were terminated on February 21, 2019 in contemplation of the deregistration of the Company's common stock with the SEC.

14. Income Taxes

The components of the expense for income taxes are as follows for the years ended December 31, 2018 and 2017:

	For the year ended December 31, 2018	2017
Current	$	$
Federal	—	—
State	—	—
Foreign	—	(633,530)
Total	$ —	$ (633,530)
Deferred	$ —	$ —
Federal	—	—
State	—	—
Foreign	—	—
Total	$ —	$ —
Total income tax provision	$ —	$ (633,530)

The effective tax rate is reconciled to the U.S. federal statutory rate as follows as of December 31, 2018 and 2017, respectively:

	For the year ended December 31, 2018	2017
Income tax benefit at the applicable federal rate (21% for 2018; 34% for 2017)	$ (18,451,302)	$ (9,377,343)
Permanent difference	115,723	348,212
Change in valuation allowance	23,775,367	(3,365,898)
Deferred true-up	(3,192,297)	1,785,761
Remeasurement of deferred taxes for tax law change	121,471	7,813,999
Currency exchange rate change	2,342,681	2,809,109
Foreign rate differential	(1,594,237)	3,160
Employee Retention credit	(3,117,406)	(17,000)
Withholding tax	—	(633,530)
Income tax expense (benefit)	$ —	$ (633,530)

The tax effects of the temporary differences between financial statement income and taxable income are recognized as deferred tax assets and liabilities. Significant components of the deferred tax assets and liabilities as of December 31, 2018 and 2017 respectively are as follows:

	December 31, 2018	December 31, 2017
Deferred assets		
Stock-based compensation	$ 816,273	$ 376,224
Accrued vacation	51,306	54,335
Accrued bonus	31,270	235,297
Interest limitation	519,149	226,664
Bad debt allowance	692,266	—
Employee retention credit	—	17,000
R&D credit	46,497	46,497
Other accruals	60,298	118,500
Intangible assets	1,630	1,396
Net operating loss carryforward	29,324,272	19,283,115
Total deferred tax assets	$ 31,542,961	$ 20,359,028
Deferred liability		
Prepaids	—	(2,758)
Property, plant and equipment	6,194,220	(6,394,456)
Total deferred tax liabilities	$ 6,194,220	$ (6,397,214)
Net deferred tax asset	37,737,181	13,961,814
Valuation allowance	(37,737,181)	(13,961,814)
Total net deferred tax assets	$ —	$ —

The Company has established a valuation allowance to fully reserve the net deferred tax asset due to the uncertainty of the timing and amounts of future taxable income. At December 31, 2017, the Company had a federal tax loss carry forward of $68,146,909 and a foreign tax loss carry forward of $15,857,215, both of which have been fully reserved. At December 31, 2018, the Company has a federal tax loss carry forward of $91,139,261 and a foreign tax loss carry forward of $23,142,711, both of which have been fully reserved.

The loss carryforwards expire as follows:

Expiration year		**Amount**
2019	$	179,117
2020		395,023
2021		1,188,455
2022		2,546,339
2023 and forward		109,973,037
Total	$	114,281,971

The Company records accrued interest and penalties related to unrecognized tax benefits in general and administrative expense. No amounts of interest expense and penalties have been accrued or recognized related to unrecognized tax benefits since inception. We are currently subject to a three-year statute of limitations by major tax jurisdictions.

On June 20, 2017, all convertible debt was converted into approximately 29.5 million shares of the Company's Common Stock resulting in a change of ownership greater than 50%. As a result, the Company's ability to offset its income with its U.S. net operating losses are limited by the Internal Revenue Code Section 382.

15. Quarterly Financial Data (unaudited)

Summarized quarterly financial data for the years ended December 31, 2018 and 2017 are presented below.

	Quarter Ended			
	March 2018	**June 2018**	**September 2018**	**December 2018**
Revenue	$ 12,683,226	$ 15,015,646	$ 12,503,599	$ 507,150
Operating loss	(9,746,075)	(12,890,473)	(30,050,053)	(12,840,169)
Loss before income taxes	(10,188,758)	(13,525,627)	(32,956,848)	(10,815,182)
Net loss from continuing operations	(10,188,758)	(13,525,627)	(32,953,863)	(10,818,167)
Basic and diluted loss per share-continued operations	$ (0.14)	$ (0.18)	$ (0.44)	$ (0.14)
Net loss from discontinued operations	(2,671,759)	(3,050,835)	(2,244,834)	(12,413,228)
Basic and diluted loss per share – discontinued operations	$ (0.04)	$ (0.04)	$ (0.03)	$ (0.16)

	Quarter Ended			
	March 2017	June 2017	September 2017	December 2017
Revenue	$ —	$ 3,092,722	$ 7.369.376	$ 14,002,066
Operating loss	(1,599,912)	(3,396,262)	(3.263.783)	(5,477,113)
Loss before income taxes	(3,115,954)	(2,823,964)	(3.258.841)	(5,611,975)
Net loss from continuing operations	(3,115,954)	(2,823,964)	(3.258.841)	(5,611,975)
Basic and diluted loss per share-continued operations	$ (0.21)	$ (0.16)	$ (0.05)	$ (0.08)
Net loss from discontinued operations	(1,913,072)	(3,323,870)	(3,381,221)	(3,517,980)
Basic and diluted loss per share – discontinued operations	$ (0.13)	$ (0.19)	$ (0.05)	$ (0.05)

16. Segment Reporting

As a result of the Company beginning revenue generating activities in the U.S. in the second quarter of 2017, we began reporting the results of each of our two reportable segments beginning with the second quarter of 2017 in accordance with ASC 280, *Segment Reporting*. Our Chief Executive Officer evaluates the results of operations on a consolidated as well as a segment level and is the person responsible for the final assessment of performance and making key operating decisions. Discrete financial information is available for each of the segments, and the operating results of each of the operating segments are used for performance evaluation and resource allocations.

Our two operating segments are managed through operating segments that are aligned with our geographic operating locations of Argentina and the U.S. We also report certain corporate and other non-operating activities under the heading “Corporate and Other”, which primarily reflects corporate personnel and activities, research and development activities, incentive compensation programs and other costs. The Argentina segment, which is reported as discontinued operations, has been included in the segment information below.

We account for intersegment sales at prices that we generally establish by reference to similar transactions with unaffiliated customers. Reporting segments are measured based on gross margin, which is defined as revenues reduced by total cost of services. Cost of services exclude research and development expenses and depreciation and amortization expense.

Summarized financial information is shown in the following tables:

	Year Ended December 31, 2018	Year Ended December 31, 2017
Revenues[1,3]:		
Argentina-discontinued operations	$ 11,396,142	$ 19,553,584
United States	40,709,621	24,464,164
Total revenues	$ 52,105,763	$ 44,017,748
Cost of services[1,2,3]:		
Argentina-discontinued operations	$ 13,932,740	24,934,757
United States	51,578,914	28,067,742
Total cost of services	$ 65,511,654	$ 53,002,499
Gross margin[1,2]:		
Argentina-discontinued operations	$ (2,536,598)	$ (5,381,173)
United States	(10,869,293)	(3,603,578)
Total gross margin	$ (13,405,891)	$ (8,984,751)
Capital expenditures:		
Argentina-discontinued operations	$ 2,846	$ 548,108
United States	9,831,034	34,805,359
Corporate and Other	1,040	25,974
Total capital expenditures	$ 9,834,920	$ 35,379,441
Depreciation and amortization:		
Argentina-discontinued operations	$ 4,909,382	$ 4,105,417
United States	14,087,347	2,593,145
Corporate and Other	1,275,564	1,330,685
Total depreciation and amortization	$ 20,272,293	$ 8,029,247
Asset Impairment:		
Argentina-discontinued operations	$ 4,427,564	$ —
United States	28,803,756	—
Total depreciation and amortization	$ 33,231,320	$ —

(1) U.S. activity began in February 2017 with start-up expenses being incurred. The Company began recognizing U.S. revenue in late May 2017. Intersegment transactions included in revenues were not significant for any of the periods presented.

(2) Gross margin is defined as revenues less costs of services. Cost of services excludes selling, general and administrative expenses, research and development expenses and depreciation and amortization expense.

(3) The Argentina segment has been reclassified into discontinued operations.

17. Assets Held for Sale-Discontinued Operations

As of December 31, 2018, the Company classified the assets and liabilities of our Argentina subsidiary as held for sale, and its operations as discontinued operations for the periods presented. This determination was based on its decision to seek buyers for the subsidiary or for the sale of its assets. The Company made the decision, having received a letter of intent during the fourth quarter of 2018 from a third party to purchase the subsidiary. The Company, as described in more detail below in Note 18 – Subsequent Events, signed an agreement with an unrelated third party to purchase significantly all of the subsidiary's machinery and equipment assets. The Company will proceed to dissolve the subsidiary. Expected costs to dissolve the subsidiary are estimated to be approximately $900,000.

As of December 31, 2018, the Company classified certain U.S. spare parts, equipment and machinery as held for sale based on the decision by the Company to seek buyers for and sell these assets. As described in more detail below in Note 18 – Subsequent Events, as of the date of this filing, has, subsequent to December 31, 2018, sold all the material equipment, inventory and other operating assets relating to our U.S. operations.

Due to the classification of our Argentina subsidiary and certain assets of our U.S. operations, the Company reclassified their respective assets and liabilities from their respective financial lines on the Consolidated Balance Sheet as of December 31, 2018 to current assets and liabilities held for sale.

The table below provides additional details related to the assets and liabilities of these reclassifications as of December 31, 2018 and 2017:

December 31, 2018	Argentina Segment	U.S. Operations	Total
Assets			
Cash and cash equivalents	$ 19,166	$ —	$ 19,166
Inventories, net	500,000	50,422	550,422
Prepaid expenses and other current assets	877,439	—	877,439
Property, plant and equipment	12,499,999	11,083,333	23,583,332
Total current assets held for sale	$ 13,896,604	$ 11,133,755	$ 25,030,359
Liabilities			
Accounts payable	$ 3,419,441	$ —	$ 3,419,441
Accrued expenses and other current liabilities	1,274,487	—	1,274,487
Debt	—	3,009,483	3,009,483
Total current liabilities held for sale	$ 4,693,928	$ 3,009,483	$ 7,703,411

December 31, 2017	Argentina Segment	U.S. Operations	Total
Assets			
Cash and cash equivalents	$ 1,855,150	$ —	$ 1,855,150
Accounts receivable, net	4,474,565	—	4,474,565
Inventories, net	2,083,030	1,616,215	3,699,245
Prepaid expenses and other current assets	4,197,306	—	4,197,306
Property, plant and equipment	20,639,500	44,184,766	64,824,266
Total current assets held for sale	$ 33,249,551	$ 45,800,981	$ 79,050,532
Liabilities			
Accounts payable	$ 5,282,490	$ —	$ 5,282,490
Accrued expenses and other current liabilities	3,213,852	—	3,213,852
Debt	836,855	8,219,732	9,056,587
Total current liabilities held for sale	$ 9,333,197	$ 8,219,732	$ 17,552,929

The table below provides additional details related to the discontinued operations as of December 31, 2018 and 2017:

	Years Ended December 31,	
	2018	2017
Revenues from discontinued operations	$ 11,396,142	$ 19,553,584
Operating costs and expenses	(29,114,064)	(31,728,733)
Operating loss	(17,717,922)	(12,175,149)
Other expense	(2,679,109)	(594,523)
Benefit for income taxes	16,375	633,529
Loss from discontinued operations	$ (20,380,656)	$ (12,136,143)

18. Subsequent Events

On January 24, 2019, the Company completed the disposition of certain of its U.S. equipment to an unrelated party in exchange for approximately $2.8 million of aggregate cash proceeds, before commissions and selling expenses. On February 21, 2019, the Company completed the disposition of certain of its U.S. equipment to an unrelated party in exchange for approximately $6.2 million of aggregate cash proceeds, before commissions and selling expenses. On March 14, 2019, the Company completed the disposition of certain of its U.S. equipment to an unrelated party in exchange for approximately $2.1 million of aggregate cash proceeds, before commissions and selling expenses. Net of commissions, the Company received approximately $16.8 million. In the U.S., as of the date of this filing, we have sold all the material equipment, inventory and other operating assets relating to our U.S. operations and terminated all field level employees. Following the consummation of the transactions contemplated below regarding Argentina, and upon the completion of shutting down operations in Argentina and the U.S., our intent is to shut down the Company in the foregoing months.

On March 18, 2019, the Company signed an agreement with an unrelated third party to purchase significantly all of our equipment and machinery assets in Argentina. The transactions contemplated by this agreement are expected to close in phases during the second quarter of 2019. Following the consummation of the transactions contemplated by this agreement, the Company expects to shut down its operations in Argentina.

On December 28, 2018, the Company received a determination letter from Nasdaq that the Company will be delisted pursuant to the Nasdaq Listing Rules. The Company determined not to appeal the determination and the quotation of the Company's common stock moved to the "Pink Open Market" operated by the OTC Markets Group Inc. The common stock was subsequently delisted from Nasdaq due to the Company's non-compliance with Nasdaq's minimum bid price requirements. Specifically, the Nasdaq suspended trading in the Company's common stock on Nasdaq, effective prior to the regular opening of the market on January 2, 2019. The Nasdaq subsequently filed a Notification of Removal from Listing and/or Registration on Form 25 with the Securities and Exchange Commission, or SEC, on February 26, 2019 to remove the common stock from listing on Nasdaq and withdraw the common stock from registration under Section 12(b) pursuant to Rule 12d2-2(b) of the Exchange Act. Pursuant to Rule 12d2-2(d)(1) of the Exchange Act, the application on Form 25 became effective with respect to the delisting of the common stock ten (10) days after the Form 25 was filed with the SEC.

As disclosed previously in Form 8-K filed February 14, 2019, the Company has implemented a reverse stock split. The reverse stock split reduced the number of shareholders of record and allows the Company to deregister the common stock and reduce ongoing expenses with respect to filings under the Exchange Act. Those shareholders who, immediately following the reverse stock split, held only a fraction of a share of the Company's common stock were paid, in lieu thereof, an amount in cash equal to $0.08 (on a post-split basis) times such fraction of a share and are no longer shareholders of the Company. The effects of this reverse stock split have been retroactively applied in this Form 10-K filing. After the filing of this Annual Report on Form 10-K for the fiscal year ended December 31, 2018, and the filing of a Form 15 to suspend the Company's reporting obligations under Section 15(d) of the Exchange Act, the Company will no longer be subject to certain provisions of the Exchange Act. In particular, the Company's obligations to publicly file periodic and current reports with the SEC under Section 15(d) of the Exchange Act will be suspended.

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

None.

ITEM 9A.CONTROLS AND PROCEDURES

Disclosure controls and procedures

As of the end of the period covered by this Annual Report, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) adopted by the SEC under the Exchange Act) to determine whether such disclosure controls and procedures provide reasonable assurance that information to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and such information is accumulated and communicated to management, including our principal executive and principal financial officers or persons performing similar functions, as appropriate to allow timely decisions regarding disclosure. Our disclosure controls and procedures were developed through a process in which our management applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding the control objectives. You should note that the design of any system of disclosure controls and procedures is based in part upon various assumptions about the likelihood of future events, and we cannot assure you that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. Based on the evaluation referred to above, our Chief Executive Officer and Chief Financial Officer concluded that the design and operation of our disclosure controls and procedures were not effective as of December 31, 2018 due to the material weakness in our internal control over financial reporting identified below.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act), and for our assessment of the effectiveness of internal control over financial reporting.

Our internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of our Consolidated Financial Statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and Board; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the Consolidated Financial Statements.

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

Management, including our principal executive and principal financial officer, has conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2018, based on the framework established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013 (the "COSO Framework"). This assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of those controls. Based on our assessment under the criteria described above, management has concluded that our internal control over financial reporting was not effective as of December 31, 2018 and identified material weaknesses in internal control over financial reporting.

A material weakness is a control deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

Management identified a material weakness in the operating effectiveness of internal control over financial reporting relating to the timely reporting of its financial results and disclosures for the fiscal year ended December 31, 2018, and its testing and assessment of the design and operating effectiveness of internal controls over financial reporting in a timely manner. This was also noted during the 2018 annual year-end audit and it was further noted that our disclosure controls and procedures were not effective at a reasonable assurance level as of December 31, 2018, due to the material weakness in internal control over financial reporting. The small size of the Company's accounting staff may prevent adequate controls in the future, such as segregation of duties, due to the cost/benefit of such remediation.

Because of the above material weakness, management has concluded that we did not maintain effective internal control over financial reporting as of December 31, 2018, based on the criteria established in the COSO Framework.

This material weakness was identified prior to the issuance of our consolidated financial statements for the year ended December 31, 2018 and despite the existence of this material weakness, the Company believes the financial information presented in our Form 10-K as of December 31, 2018 is materially correct and in accordance with U.S. generally accepted accounting principles, and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made. However, we believe this material weakness could result in a future material misstatement(s) in the Company's annual or interim consolidated financial statements that may not be prevented or detected.

Changes in Internal Control over Financial Reporting

There have been no changes in our system of internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

All of our directors have been elected to serve until our next annual meeting of stockholders or until their earlier resignation, removal or death. Biographical information regarding our executive officers and directors, including their ages as of May 2, 2019, is as follows:

Name	Age	Position
Brian R. Stewart	63	Chairman
Alexander Nickolatos	41	Director, Interim Chief Executive Officer and Chief Financial Officer
Carlos A. Fernandez	62	Executive Vice President-Corporate Business Development and General Manager-Latin America
Christopher A. Krummel	51	Director
John Hageman	65	Director, Chief Legal Counsel and Secretary

Former director, President and Chief Executive Officer Jon Christopher Boswell resigned from the Company on September 28, 2018. Former director Bjarte Bruheim resigned on December 4, 2018. Former director Andrew Teno resigned on December 26, 2018, and former directors Timothy L. Reynolds and Todd R. Snyder resigned on February 11, 2019. There was no disagreement between Messrs. Boswell, Bruheim, Teno, Reynolds, or Snyder and the Company.

Brian R. Stewart. Mr. Stewart was designated by Fir Tree to serve on our Board of Directors in October 2017 pursuant to the A&R Stockholder Rights Agreement. Mr. Stewart was appointed as Chairman of our Board of Directors in December 2017. Mr. Stewart retired from Devon Energy Corporation ("Devon") in June 2012 after 35 years of service. During a portion of his tenure, he served as Devon's Chief Engineer responsible for the development and integration of company-wide best practices for horizontal drilling, frac design, and well control. During his last five years at Devon, Mr. Stewart served as the Vice President of Well Engineering for the Offshore Division. Beginning in June 2012 following his retirement from Devon, Mr. Stewart served as President and Chief Executive Officer of U.S. Well Services ("USWS"), a provider of fracturing services in the Appalachian Basin (Marcellus and Utica Shales). Mr. Stewart retired from the day to day operations of USWS on December 31, 2015 but remained on USWS's Board of Directors until it was recapitalized in February 2017. Mr. Stewart received a BS degree in Petroleum Engineering from Louisiana State University and a MS degree in Engineering Management from the University of Southwestern Louisiana (now UL-Lafayette).

Alexander Nickolatos. Mr. Nickolatos has served as our Interim Chief Executive Officer since September 2018 and Chief Financial Officer since December 2013 and was appointed in July 2014 as our Assistant Secretary. Prior to Eco-Stim, from March 2006 until June 2012, Mr. Nickolatos served as the Director of Financial Planning and Analysis at Neo GeoSolutions, a Silicon Valley backed oilfield technology company ("Neos"). During his time at Neos, he also served as Controller and Treasurer, and oversaw oil and gas accounting and finance operations in seven countries, including Argentina. Prior to joining Neos, he worked for PricewaterhouseCoopers and Arthur Andersen. Mr. Nickolatos is a Certified Public Accountant and holds a BBA degree, summa cum laude, from Walla Walla University.

Carlos A. Fernandez. Mr. Fernandez has served as our Executive Vice President-Corporate Business Development and General Manager-Latin America since July 2014. He served as a member of the Board of our company and its predecessors from December 2011 to March 2017. Mr. Fernandez has over 35 years of experience in the oil and gas industry and over 30 years of experience in various executive management and sales positions. From January 2010 to present, he has worked as General Manager – Latin America for NEOS. From April 2006 to November 2009, he served as Senior Vice President Business Development for 3D-Geo. While at 3D-Geo, Mr. Fernandez led the formation of the Kaleidoscope seismic imaging project, a partnership among Repsol, 3D-Geo, Stanford University, IBM, and the Barcelona Supercomputing Center. From 1996 to March 2006, he served as General Manager – Latin America for Paradigm Geophysical. From 1990 to 1995, Mr. Fernandez served as President of Petroleum Information Argentina. From 1979 through 1990, he held various leadership positions with seismic technology and computing companies such as Silicon Graphics. Mr. Fernandez received his degree in geophysics with honors from the National University of La Plata in Argentina. Mr. Fernandez has taught at the University for more than 10 years, contributing to the education of a significant number of geophysicists, currently working in the oil and gas industry in Latin America and around the world.

Christopher A. Krummel. Mr. Krummel joined our Board of Directors in January 2014. Mr. Krummel serves as Vice President of Finance and Chief Accounting Officer of McDermott International Inc. (“McDermott”), responsible for all accounting functions including consolidated financial reporting, SEC filings and financial planning and analysis. Prior to joining McDermott, he provided advisory services to American Industrial Partners LLC (“AIP”), and other companies focused on the global energy industry. Prior to AIP, he served as the Vice President and Chief Financial Officer for EnTrans International LLC, a portfolio company of AIP. Prior to September of 2014, he served as Vice President-Finance, Controller and Chief Accounting Officer for Cameron International Corporation (“Cameron”), where he was responsible for all accounting functions including consolidated financial reporting and SEC filings. He started at Cameron in October 2007 and previously served as Chief Financial Officer for Enventure Global Technology, a private equity backed startup. Prior to Enventure, he held financial leadership roles with PGS and PriceWaterhouse LLP. He holds a BSBA in accounting from Creighton University and an MBA from The Wharton School of the University of Pennsylvania. In addition to our Board, Mr. Krummel is a director of Rebuilding Together Houston.

John Hageman. Mr. Hageman joined our Board of Directors in December 2018 effective upon the Company's acceptance of the resignation in December 2018 of Mr. Andrew Teno as a member of our Board of Directors. On or about March 1, 2019, Mr. Hageman was elected by the Board to serve as the Company's Chief Legal Officer following the resignation of Christopher Arntzen. For the past 10 years, Mr. Hageman has been a Managing Director and owner of The Carnrite Group, LLC, a Houston-based business consulting firm. Prior to joining The Carnrite Group, Mr. Hageman served as the senior vice president, chief legal officer and secretary of two publicly traded companies; Physician Corporation of America of Miami, Florida, and Metal USA, Inc. based in Houston, Texas. Mr. Hageman has a B.S. in Accounting & Business Administration from the University of Kansas in Lawrence, Kansas, and a J.D. from Washburn Law School in Topeka, Kansas.

There are no family relationships between any of the executive officers and directors.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act of 1934, as amended, requires our directors, executive officers and holders of more than 10% of our outstanding shares of common stock (collectively, "Reporting Persons") to file with the Commission initial reports of ownership and reports of changes in ownership of our common stock. Such persons are required by regulations of the Commission to furnish us with copies of all such filings. Based on a review of the copies of such filings received by us with respect to the fiscal year ended December 31, 2018, we believe that all Reporting Persons complied with all Section 16(a) filing requirements in the fiscal year ended December 31, 2018.

Director Qualifications and Board Leadership Structure

Mr. Stewart has significant operational and executive experience in the oil and gas industry, including serving in roles of increasing responsibility at a large independent oil and gas exploration and production company and as the chief executive officer of an oil field services company. Mr. Nickolatos is the Interim Chief Executive Officer and Chief Financial Officer of our Company and has an extensive track record as an executive officer in the energy industry and has been part of starting and building multiple companies within the oilfield services sector. He also brings a strong financial background to our Board of Directors. Mr. Krummel has significant financial experience in the industry with current and previous roles as Chief Financial Officer and Chief Accounting Officer with public companies where he was responsible for all accounting functions, including consolidated financial reporting and SEC filings. Mr. Hageman has a significant financial and legal, including corporate organization, restructure and liquidation in his roles as chief legal officer and secretary for two publicly traded companies and as Managing Director and owner of a business consulting firm.

Committees of our Board of Directors

Our Board of Directors has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Governance Committee.

AUDIT COMMITTEE

The Audit Committee consists of Messrs. Krummel and Stewart. Mr. Krummel has served as chairman of the Audit Committee since January 2014. Mr. Stewart was selected to serve on the Audit Committee upon the resignation of Mr. Bruheim from the Board of Directors on December 4, 2018. Mr. Reynolds served on the Audit Committee from December 2017 until his resignation in February 2019. Our Board of Directors determined in March 2018 that all members of the Audit Committee meet the applicable independence standards of and the heightened standards applicable to audit committee members (to the extent relevant to the Audit Committee). In addition, our Board of Directors has determined that Mr. Krummel qualifies as an "audit committee financial expert," as defined in Item 407(d)(5)(ii) of Regulation S-K. Additionally, our Board of Directors determined in December 2018 that Mr. Stewart meets the applicable independence standards and the heightened standards applicable to audit committee members (to the extent relevant to the Audit Committee) as defined in Section 5605(c)(2) of the NASDAQ Rules and Rule 10A-3 and Section 10A(m)(3)(A) for service on the Audit Committee as an independent director.

The Audit Committee oversees, reviews, acts on and reports on various auditing and accounting matters to our Board, including:

- overseeing the accounting and financial reporting processes of our company and audits of our financial statements;
- overseeing the quality, integrity and reliability of our financial statements and other financial information we provide to any governmental body or the public;
- overseeing our compliance with legal and regulatory requirements;
- overseeing our independent auditors' qualifications, independence and performance;
- overseeing our systems of internal controls regarding finance, accounting, legal compliance and ethics that management and our Board of Directors have established; and
- providing an open avenue of communication among our independent auditors, financial and senior management, and our Board of Directors, always emphasizing that the independent auditors are accountable to the Audit Committee.

We have an Audit Committee Charter that outlines the primary duties of the Audit Committee, which is available on our website in the "Corporate Governance" subsection in the "Investors" section. The Audit Committee held five meetings during the fiscal year ended December 31, 2018.

COMPENSATION COMMITTEE

The Compensation Committee of our Board of Directors currently consists of Mr. Krummel. Mr. Krummel has served as chairman of the Compensation Committee since March 2015. Previously, Mr. Reynolds served on the Compensation Committee until his resignation in February 2019. Also Mr. Teno served on the Compensation Committee until his resignation in December 2018. Our Board of Directors determined in March 2018 that all members of the Compensation Committee meet the applicable independence standards of the applicable NASDAQ Stock Market Rules. In March 2018, our Board also determined that Mr. Krummel satisfies the requirements of non-employee directors under Rule 16b-3(b)(3) of the Exchange Act and satisfy the requirements of outside director under Section 162(m) of the Internal Revenue Code of 2986, as amended.

The Compensation Committee assists our Board of Directors in carrying out its responsibilities with respect to (i) employee compensation, benefit plans, and employee stock programs and (ii) matters relating to the compensation of persons serving as senior management and the Chief Executive Officer of the Company. The Compensation Committee determines and approves the total compensation of the Chief Executive Officer and senior management based on its evaluation of the performance the Chief Executive Officer and senior management in light of certain goals and objectives as well as input from the Nominating and Governance Committee, and with respect to senior management, the Compensation Committee also considers input from the Chief Executive Officer. The Compensation Committee has broad delegating authority, including the authority to delegate to subcommittees as it deems appropriate, to delegate to one or more executive officers the authority to approve equity compensation awards under established equity compensation plans of the Company to employees and officers of the Company other than those subject to Section 16 of the Exchange Act and to delegate any non-discretionary administrative authority under Company compensation and benefit plans consistent with any limitations specified in the applicable plans.

We have a Compensation Committee Charter that outlines the primary duties of the Compensation Committee, which is available on our website in the “Corporate Governance” subsection in the “Investors” section. The Compensation Committee held four meetings during the fiscal year ended December 31, 2018.

NOMINATING AND GOVERNANCE COMMITTEE

The Nominating and Governance Committee of our Board of Directors currently consists of Mr. Stewart. Mr. Bruheim had served as chairman of the Nominating and Governance Committee from March 2016 until his resignation in December 2018. Previously, Mr. Snyder had served on the Nominating and Governance Committee from December 2018 until his resignation in February 2019.

The Nominating and Governance Committee identifies, evaluates and nominates qualified candidates for appointment or election to our Board of Directors. In identifying, evaluating and recommending director nominees to the Board, the Nominating and Governance Committee identifies persons who possess the integrity, leadership skills and competency required to direct and oversee our management in the best interests of its stockholders, customers, employees, communities we serve and other affected parties. A candidate must be willing to regularly attend Board meetings and if applicable, committee meetings, to participate in Board development programs, to develop a strong understanding of the Company, its businesses and its requirements, to contribute his or her time and knowledge to the Company and to be prepared to exercise his or her duties with skill and care. While the Board does not have a formal policy on diversity, in selecting nominees, the Nominating and Governance Committee seeks to have a Board that represents a diverse range of perspectives and experience relevant to the Company.

We have a Nominating and Governance Committee Charter that outlines the primary duties of the Nominating and Governance Committee, which is available on our website in the “Corporate Governance” subsection in the “Investors” section. The functions of the Nominating and Governance Committee, which are discussed in its charter, include (i) developing a pool of potential directorial candidates for consideration in the event of a vacancy on the Board, (ii) screening directorial candidates in accordance with certain guidelines and criteria set forth in its charter and (iii) recommending nominees to the Board. The Nominating and Governance Committee held one meeting during the fiscal year ended December 31, 2018.

The Nominating and Governance Committee seeks recommendations from our existing directors to identify potential candidates to fill vacancies on our Board. The Nominating and Governance Committee will also consider nominee recommendations properly submitted by stockholders in accordance with the procedures outlined in our bylaws, on the same basis as candidates recommended by the Board and other sources. For stockholder nominations of directors for the Annual Meeting, nominations must comply with the provisions of our Bylaws, must be made in writing and must be delivered to the Secretary of the Company at 1773 Westborough Drive, Katy, Texas 77449. Nominations must be received by the Secretary of the Company no later than sixty (60) days and no earlier than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting, unless the annual meeting is called for a date that is not within thirty (30) days before or after the anniversary date of the immediately preceding annual meeting, in which case, nominations must be received by the earlier of the close of business on the tenth (10th) day following the day on which such notice of the date of the Annual Meeting was mailed or such public disclosure was made, whichever first occurs, or (b) two (2) days prior to the date of the Annual Meeting.

ITEM 11. EXECUTIVE COMPENSATION TABLE

We are currently considered a "smaller reporting company" for purposes of the SEC's executive compensation and other disclosure rules. In accordance with such rules, we are required to provide a Summary Compensation Table and an Outstanding Equity Awards at Fiscal Year End Table, as well as limited narrative disclosures.

Summary Compensation Table

The following table summarizes, with respect to each of our named executive officers, information relating to all compensation earned for services rendered to us in all capacities.

Name and principal position	Year	Salary ($)(4)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)(3)	Total ($)
Jon Christopher Boswell	2018	262,499	108,281	163,938	—	—	—	132,189	666,907
Former Chief Executive Officer	2017	354,250	—	359,863	498,953	—	—	22,843	1,235,909
Carlos Fernandez	2018	312,000	90,000	163,938	—	—	—	—	565,938
Executive Vice President-Corporate Business Development and General Manager-Latin America	2017	284,000	—	385,708	478,928	—	—	—	1,148,636
Alexander Nickolatos	2018	300,000	90,000	75,438	—	—	—	59,338	524,776
Interim Chief Executive Officer, Chief Financial Officer and Assistant Secretary	2017	287,500	—	350,634	416,238	—	—	23,450	1,077,822
Barry Ekstrand	2018	250,000	73,483	22,631	—	—	—	75,750	421,864
Former Chief Operating Officer	2017	203,013	—	19,996	27,188	—	—	19,832	270,029

(1) The amounts in this column reflect the aggregate grant date fair value of all stock awards calculated in accordance with FASB ASC Topic 718. See "Part II – Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 11 – Stock-Based Compensation" for additional information regarding the assumptions used to calculate the grant date fair value of the stock awards. The stock awards granted to Messrs. Boswell, Fernandez, Nickolatos and Ekstrand in 2018 and 2017 were phantom stock awards granted under our 2015 Stock Incentive Plan.

(2) The amount in this column reflects the aggregate grant date fair value of all option awards calculated in accordance with FASB ASC Topic 718. See "Part II – Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 11 – Stock-Based Compensation" for additional information regarding the assumptions used to calculate the fair value of the option awards. The option awards granted to Messrs. Boswell, Fernandez, Nickolatos and Ekstrand in 2018 and 2017 were granted under our 2015 Stock Incentive Plan.

(3) Amounts reported in the "All Other Compensation" column consist of, with respect to all named executive officers, (a) employer matching contributions to our tax-qualified Section 401(k) retirement savings plan, (b) with respect to Messrs. Boswell, Nickolatos and Ekstrand, a monthly car allowance, (c) with respect to Mr. Boswell, severance and reimbursement of unused paid time off, and (d) with respect to Messrs. Nickolatos and Ekstrand, retention plan payments.

(4) Salary amounts reported for Mr. Boswell in 2018 are pro-rata and per his Severance Agreement triggered by his resignation from the Company in September 2018.

Narrative Disclosure to Summary Compensation Table

Employment Agreements. The following summary provides a description of the material terms of the employment agreements that we have entered into with our named executive officers.

Jon Christopher Boswell. Effective April 1, 2017, we entered into an employment agreement (the "Boswell Employment Agreement") with Mr. Boswell that superseded and replaced his prior employment agreement. The Boswell Employment Agreement provides for an initial one-year term of employment that commenced as of April 1, 2017 and, unless either party provides written notice of non-renewal within the requisite time period, the term will automatically be extended for an additional one-year period on April 1, 2018 and each subsequent anniversary of such date in accordance with the renewal provisions set forth in the agreement. The Boswell Employment Agreement provides for an initial annualized base salary of $350,000 per year and a target annual bonus equal to a maximum of 125% of Mr. Boswell's annualized base salary. The Boswell Employment Agreement also contains severance provisions, which are discussed below under "Potential Payments Upon Termination or a Change in Control." The Boswell Employment Agreement also provides that during the term of employment and for six (6) months after the termination of Mr. Boswell's employment (for whatever reason), Mr. Boswell will not compete with us or solicit our customers or our employees. The agreement also provides for the nondisclosure of any confidential information relating to us by Mr. Boswell.

Carlos Fernandez. Effective as of April 1, 2017, we entered into an employment agreement (the "Fernandez Employment Agreement") with Mr. Fernandez that superseded and replaced his prior employment agreement. The Fernandez Employment Agreement provides for an initial one-year term of employment that commenced as of April 1, 2017 and, unless either party provides written notice of non-renewal within the requisite time period, the term will automatically be extended for an additional one-year period on April 1, 2018 and each subsequent anniversary of such date in accordance with the renewal provisions set forth in the agreement. The Fernandez Employment Agreement provides for an initial annualized base salary of $312,000 per year and a target annual bonus equal to a maximum of 100% of Mr. Fernandez's annualized base salary. The Fernandez Employment Agreement also contains severance provisions, which are discussed below under "Additional Narrative Disclosure –Potential Payments Upon Termination or a Change in Control." The Fernandez Employment Agreement also provides that during the term of employment and for six (6) months after the termination of Mr. Fernandez's employment (for whatever reason), Mr. Fernandez will not compete with us or solicit our customers or our employees. The agreement also provides for the non-disclosure of our confidential information by Mr. Fernandez.

On October 30, 2018, the Company entered into a compensation arrangement with Mr. Fernandez which consisted of a cash performance award under the 2015 Plan, with the maximum value of the award equal to $100,000, and with such award payable upon the achievement of predetermined Company performance goals as specified by the Compensation Committee of the Company's Board of Directors. To be eligible to receive payment of the performance awards following satisfaction of the predetermined Company performance goals, the executive must not terminate his employment on or before the end of the applicable performance period (other than termination for "good reason", death or disability) and the executive's employment must not have been terminated for "cause" by the Company on or before the end of the applicable performance period.

Alexander Nickolatos. Effective as of April 1, 2017, we entered into an employment agreement (the "Nickolatos Employment Agreement") with Mr. Nickolatos that superseded and replaced his prior employment agreement. The Nickolatos Employment Agreement provides for an initial one-year term of employment that commenced as of April 1, 2017 and, unless either party provides written notice of non-renewal within the requisite time period, the term will automatically be extended for an additional one-year period on the April 1, 2018 and each subsequent anniversary of such date in accordance with the renewal provisions set forth in the agreement. The Nickolatos Employment Agreement provides for an annualized base salary of $300,000 per year and a target annual bonus equal to a maximum of 100% of Mr. Nickolatos' base salary. The Nickolatos Employment Agreement also contains severance provisions, which are discussed below under "Additional Narrative Disclosure –Potential Payments Upon Termination or a Change in Control." The Nickolatos Employment Agreement also provides that during the term of the agreement and for six (6) months after the termination of Mr. Nickolatos' employment (for whatever reason), Mr. Nickolatos will not compete with us or solicit our customers or our employees. The agreement also provides for the non-disclosure of our confidential information by Mr. Nickolatos.

On October 30, 2018, the Company entered into a compensation arrangement with Mr. Nickolatos which included a $100,000 retention bonus (the "Nickolatos Retention Bonus"), payable in six equal monthly installments, or earlier if Mr. Nickolatos' employment is terminated by the Company without "cause" or by Mr. Nickolatos for "good reason", as such terms are defined under the Nickolatos Employment Agreement. If Mr. Nickolatos terminates his employment with the Company before March 31, 2019 (other than for "good reason" or due to death or disability), he will be obligated to refund to the Company the aggregate amount of the Nickolatos Retention Bonus payments received by Mr. Nickolatos prior to such termination. In addition, any Nickolatos Retention Bonus payments paid to Mr. Nickolatos will be credited against any amount owed to Mr. Nickolatos by the Company under the terms of the Nickolatos Employment Agreement in connection with any future termination of employment (unless certain change of control transactions have occurred prior to any such termination). The compensation arrangement for Mr. Nickolatos also includes a cash performance award under the Company's 2015 Stock Incentive Plan, as amended (the "2015 Plan"), with the maximum value of the award equal to $200,000, and with such award payable under the achievement of predetermined Company performance goals as specified by the Compensation Committee of the Company's Board of Directors.

Outstanding Equity Awards at 2018 Fiscal Year-End

The following table presents, for each named executive officer, information regarding outstanding option awards and stock awards held as of December 31, 2018.

Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares of Stock That Have Not Vested (1)	Market Value of Shares of Stock That Have Not Vested ($)(2)
Carlos Fernandez	22,318		3.33	8/28/22	90,000	5,850
	10,000		6.00	10/24/23		
	375,000	125,000(4)	1.41	5/4/27		
	25,000	75,000(4)	2.00	5/4/27		
	37,500	112,500(4)	2.50	5/4/27		
Alexander Nickolatos	4,083		0.33	7/1/2022	70,000	4,550
	5,015		3.33	8/28/22		
	25,000		6.00	10/24/23		
	11,250	3,750(3)	3.00	5/27/26		
	337,500	112,500(4)	1.41	5/4/27		
	75,000	25,000(4)	2.00	5/4/27		
	75,000	25,000(4)	2.50	5/4/27		
Barry Ekstrand (5)	75,000	25,000	1.41	5/4/27	18,750	1,218
	112,500	37,500	2.00	5/4/27		
	93,750	31,250	2.50	5/4/27		

(1) Includes (a) awards of our restricted stock held by our named executive officers that will vest in two remaining equal annual installments on May 27, 2019 and May 27, 2020, so long as the named executive officer remains employed by us on each such date: (i) Mr. Fernandez – 21,250, and (ii) Mr. Nickolatos - 7,500; and (b) awards of our restricted stock held by our named executive officers that will vest in one remaining installment on May 4, 2019, so long as the named executive officer remains employed by us on each such date: (i) Mr. Fernandez – 68,750, (ii) Mr. Nickolatos – 62,500, and (iii) Mr. Ekstrand – 18,750.

(2) The amounts in this column reflect the closing price of our common stock on December 31, 2018, which was $0.65, multiplied by the number of outstanding shares of restricted stock.

(3) These options held by our named executive officer previously vested as to 25 percent of each award on May 27, 2017 and the remaining 75 percent of each award will become vested and exercisable in three equal annual installments on May 27, 2018, May 27, 2019 and May 27, 2020 so long as the named executive officer remains employed by us on each such date.

(4) These options held by our named executive officers (excluding Mr. Ekstrand) previously vested as to 75 percent of each award on November 4, 2017, May 4, 2018, and November 4, 2018, and the remaining 25 percent of each award will become vested and exercisable in one installment on May 4, 2019, so long as the named executive officer remains employed by us on such date.

(5) Mr. Ekstrand ceased being an employee of the Company effective May 1, 2019

Additional Narrative Disclosure

Retirement Benefits

As of December 31, 2018, we maintain a tax-qualified Section 401(k) retirement savings plan. This plan provides for employee contributions, employer matching contributions (5% of salary), and a discretionary profit sharing contribution. Our named executive officers are eligible to participate in our tax-qualified Section 401(k) retirement savings plan on the same basis as other employees who satisfy the plan's eligibility requirements, including requirements relating to age and length of service. No discretionary profit sharing contributions were made during 2018. Under this plan, participants may elect to make pre-tax contributions not to exceed the applicable statutory limitation, which was $18,500 for 2018. All employer contributions vest immediately.

Potential Payments Upon Termination or a Change in Control

The employment agreements with Messrs. Boswell, Fernandez and Nickolatos contain severance provisions, as described below.

Mr. Boswell. Effective September 28, 2018, Mr. Boswell resigned from his positions as President and Chief Executive Officer the Company and from the Company's Board of Directors. In connection with his resignation, Mr. Boswell entered into a Separation and General Release Agreement with the Company ("Boswell Release Agreement"), which provides for certain compensation, benefits and other terms relating to his resignation and superseded the termination provisions in the Boswell Employment Agreement. The Boswell Release Agreement provides, among other things, that: (i) Mr. Boswell's separation from employment with the Company and his resignation from the Board were effective September 28, 2018 (the "Termination Date") and that Mr. Boswell also resigned from his positions with the Company and its subsidiaries, including any officer or directorships; (ii) Mr. Boswell will receive his earned and unpaid base salary, any vested or accrued benefits under any plan, policy or agreement, and incurred and unreimbursed business expenses, in each case as of the Termination Date, plus his accrued and unpaid incentive bonus for calendar year 2017, which is equal to $91,875 and is payable in equal installments over a four month period; (iii) Mr. Boswell will receive an amount equal to $262,500 (the "Cash Consideration"), which is payable in equal installments over a twelve month period (subject to reduction in certain circumstances); (iv) subject to certain limitations, the Company will provide Mr. Boswell with an amount equal to the cost of medical benefit continuation for Mr. Boswell and his eligible dependents for up to twelve months or until Mr. Boswell becomes eligible for another company's group health insurance; and (v) any and all outstanding unvested stock options and other equity or equity based incentive awards with time-based vesting terms (which excludes 200,000 phantom stock awards with vesting terms tied to the occurrence of certain transactions that were forfeited as of the Termination Date), vested in full effect as of the Termination Date. As of December 31, 2018, Mr. Boswell has received the benefits and payments in line with the noted payment terms, including earned and unpaid base salary, vested or accrued benefits, unreimbursed business expenses, plus his accrued and unpaid incentive bonus for calendar year 2017, Cash consideration, reimbursement of his medical benefits, and all outstanding unvested stock options and equity based incentive award (excluding 200,000 phantom stock awards).

Mr. Fernandez. If we terminate Mr. Fernandez's employment without "cause" (as such term is defined in the Fernandez Employment Agreement), or if Mr. Fernandez terminates his employment with us for "good reason" (as such term is defined in the Fernandez Employment Agreement), then Mr. Fernandez is entitled to (a) his base salary accrued to the date of his termination and any unreimbursed business expenses, (b) an amount equal to one year of base salary, (c) full vesting of all unvested restricted stock or stock options, if any, that were granted prior to the effective date of the Fernandez Employment Agreement (i.e., April 1, 2017) and (d) subject to Mr. Fernandez's timely election of medical benefit continuation pursuant to COBRA, payment or reimbursement of the cost of COBRA continuation coverage (such that Mr. Fernandez pays the same premium for COBRA continuation coverage as other executives pay for coverage under our medical plan) for Mr. Fernandez and his covered dependents for up to 18 months. Payment of items (b), (c) and (d) is contingent upon the execution of a release by Mr. Fernandez on a form provided by us.

If Mr. Fernandez's employment with us is terminated due to his becoming disabled or his death, Mr. Fernandez (or his estate, as applicable) is entitled to his base salary accrued to the date of his termination, any unreimbursed business expenses and unpaid bonus from the prior year.

If Mr. Fernandez's employment with us is terminated for cause, or if Mr. Fernandez terminates his employment with us voluntarily, Mr. Fernandez is entitled to his base salary accrued to the date of his termination and any unreimbursed business expenses.

If we or Mr. Fernandez elect to not renew the Fernandez Employment Agreement at the end of its term, then Mr. Fernandez is entitled to his base salary accrued to the date of his termination and any unreimbursed business expenses. In addition, if we elect not to renew the Fernandez Employment Agreement at the end of its term, then Mr. Fernandez is entitled to an amount equal to one year of base salary, subject to the execution of a release by Mr. Fernandez on a form provided by us.

Mr. Nickolatos. If we terminate Mr. Nickolatos' employment without "cause" (as such term is defined in the Nickolatos Employment Agreement), or if Mr. Nickolatos terminates his employment with us for "good reason" (as such term is defined in the Nickolatos Employment Agreement), then Mr. Nickolatos is entitled to (a) his base salary accrued to the date of his termination and any unreimbursed business expenses, (b) an amount equal to one year of base salary, (c) full vesting of all unvested restricted stock or stock options, if any, that were granted prior to the effective date of the Nickolatos Employment Agreement (i.e., April 1, 2017) and (d) subject to Mr. Nickolatos' timely election of medical benefit continuation pursuant to COBRA, payment or reimbursement of the cost of COBRA continuation coverage (such that Mr. Nickolatos pays the same premium for COBRA continuation coverage as other executives pay for coverage under our medical plan) for Mr. Nickolatos and his covered dependents for up to 18 months. Payment of items (b), (c) and (d) is contingent upon the execution of a release by Mr. Nickolatos on a form provided by us.

If Mr. Nickolatos' employment with us is terminated due to his becoming disabled or his death, Mr. Nickolatos (or his estate, as applicable) is entitled to his base salary accrued to the date of his termination, any unreimbursed business expenses and unpaid bonus from the prior year.

If Mr. Nickolatos' employment with us is terminated for cause, or if Mr. Nickolatos terminates his employment with us voluntarily, Mr. Nickolatos is entitled to his base salary accrued to the date of his termination and any unreimbursed business expenses.

If we or Mr. Nickolatos elect to not renew the Nickolatos Employment Agreement at the end of its term, then Mr. Nickolatos is entitled to his base salary accrued to the date of his termination and any unreimbursed business expenses. In addition, if we elect not to renew the Nickolatos Employment Agreement at the end of its term, then Mr. Nickolatos is entitled to an amount equal to one year of base salary, subject to the execution of a release by Mr. Nickolatos on a form provided by us.

Director Compensation

On November 8, 2017, the following compensation arrangements were approved for each of Messrs. Bruheim, Krummel, Reynolds, Snyder and Stewart:

- A phantom stock award under our 2015 Stock Incentive Plan that consists of 67,568 shares of phantom stock, which award vests as to 16,892 shares on each of May 8, 2018, November 8, 2018, May 8, 2019 and November 8, 2019; and

- An annual cash retainer of $50,000 that commenced effective as of April 1, 2017 and is payable in quarterly installments in arrears (pro-rated for partial periods of service).

With respect to Mr. Stewart's service as Chairman, on December 18, 2017, our Board of Directors approved the following compensation arrangement:

- A one-time phantom stock award under our 2015 Stock Incentive Plan that consists of 300,000 shares of phantom stock, which award vests as to one-third of the shares upon each of three milestones, which are based on the market price of shares of our common stock, subject to Mr. Stewart's continued service as Chairman through the first anniversary of the grant date of this award;

- A one-time phantom stock award under our 2015 Stock Incentive Plan that consists of an additional 150,000 shares of phantom stock, which award is expected to be approved on or around April 15, 2018, and which is expected to vest as to one-third of the shares upon each of three milestones, which will be based on the market price of shares of our common stock, subject to Mr. Stewart's continued service as Chairman through the first anniversary of the grant date of this award; and

- A one-time phantom stock award under our 2015 Stock Incentive Plan that consists of an additional 300,000 shares of phantom stock, which award is expected to be approved on or around July 15, 2018, and which is expected to vest as to one-third of the shares upon each of three milestones, which will be based on the market price of shares of our common stock, subject to Mr. Stewart's continued service as Chairman through the first anniversary of the grant date of this award.

Mr. Hageman was not compensated in 2018 for his role as a non-employee director of the Company.

In addition, we reimburse our non-employee directors for any travel or other business expenses related to their service as a director. The table below and the narrative in the footnotes provide the compensation amounts for our non-employee directors for 2018, as well as additional information in connection with such amounts.

Only our non-employee directors are compensated for serving as directors. Currently, Mr. Nickolatos is the only member of our Board who is also an employee. All compensation Mr. Nickolatos received from us in 2018 is included in the 2018 Summary Compensation Table.

Director Compensation Table

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Bjarte Bruheim	37,500	—	—	—	—	—	37,500
Christopher A. Krummel	50,000	—	—	—	—	—	50,000
Timothy L. Reynolds	50,000	—	—	—	—	—	50,000
Todd R. Snyder	48,234	—	—	—	—	—	48,234
Brian R. Stewart	93,234	—	—	—	—	—	93,234
Andrew Teno	—	—	—	—	—	—	—
John Hageman	—	—	—	—	—	—	—

(1) Certain of these fees were paid in the first quarter of 2019 as compensation for serving as a director in the fourth quarter of 2018 with respect to Messrs. Krummel ($12,500), Reynolds ($12,500), Snyder ($12,500) and Stewart ($12,500).

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

At April 22, 2019, we had 18,869,514 shares on a post-stock split basis of our common stock issued and outstanding. The following table sets forth information regarding the beneficial ownership of our common stock as of April 22, 2019 by:

- each person known by us to be the beneficial owner of more than 5% of our common stock;
- each of our directors;
- each of our named executive officers; and
- our executive officers and directors as a group.

Beneficial ownership is determined in accordance with SEC rules. The percentages in the table are computed with effect of the reverse stock split noted. The percentages in the table are computed using a denominator consisting of 18,869,514 shares of outstanding common stock plus the number of shares of common stock subject to vesting with respect to a holder within 60 days of April 22, 2019 or issuable upon the exercise of all outstanding options, warrants, rights or conversion privileges held by a holder which are exercisable within 60 days of April 22, 2019. Except as otherwise indicated, the persons listed below have sole voting and investment power with respect to all shares of our common stock owned by them, except to the extent that power may be shared with a spouse.

	Common Stock		Series A Preferred	
Name and Address of Beneficial Owner(1)	**Number of Shares**	**Percentage of Class**	**Number of Shares**	**Percentage of Class**
5% Stockholders:				
Fir Tree (2)	14,442,085	76.1%	11,236	100%
Bienville Capital Management, LLC (3)	1,540,756	8.1%	—	—
Directors and Executive Officers:				
Jon Christopher Boswell (5)	168,754	*	—	—
Brian R. Stewart (4) *Chairman*	8,446	*	—	—
Carlos Fernandez (6) *Executive Vice President-Corporate Business Development and General Manager- Latin America*	196,046	1.0%	—	—
Alexander Nickolatos (7) *Director, Interim Chief Executive Officer, Chief Financial Officer and Assistant Secretary*	161,337	*	—	—
Barry Ekstrand (8) *Former Chief Operating Officer*	75,000	*	—	—
Christopher A. Krummel (9) *Director*	21,866	*	—	—
John Hageman *Director*	—	—	—	—
All executive officers and directors as a group (6 persons)	1,960,298	4.6%	—	—

* indicates less than 1%.

(1) Unless otherwise specified the address of each stockholder is in care of 1773 Westborough Drive, Suite 100, Katy, Texas 77449.

(2) The number of shares of Common Stock shown as beneficially owned includes (a) a total of 11,998,709 outstanding shares of Common Stock after giving effect to our reverse stock split, which include 1,005,207 shares of Common Stock held by Fir Tree Capital Opportunity Master Fund, LP; 547,866 shares of Common Stock held by Fir Tree Capital Opportunity Master Fund III, LP; 23,243 shares of Common Stock held by FT COF (E) Holdings, LLC; 187,648 shares of Common Stock held by FT SOF IV Holdings, LLC; and 10,234,745 shares of Common Stock held by FT SOF VII Holdings, LLC (collectively, "Fir Tree Funds") and (b) 2,443,376 shares of Common Stock that are issuable upon conversion of the aggregate of 11,240 shares of Series A Preferred held by the Fir Tree Funds collectively. The number of shares of Series A Preferred includes 902.53 shares of Series A Preferred held by Fir Tree Capital Opportunity Master Fund, LP; 492.29 shares of Series A Preferred held by Fir Tree Capital Opportunity Master Fund III, LP; 168.59 shares of Series A Preferred held by FT SOF IV Holdings, LLC; 9,654.76 shares of Series A Preferred held by FT SOF VII Holdings, LLC, and 21.36 shares of Series A Preferred held by FT COF (E) Holdings LLC. Fir Tree Partners serves as the investment manager of each of the Fir Tree Funds and has been granted investment discretion over portfolio investments, including the shares of Common Stock and Series A Preferred held by the Fir Tree.

(3) Based solely on the Schedule 13G filed with the SEC by Bienville Global Opportunities Fund, LP ("Bienville BGOF GP, LLC"), Bienville Capital Management, LLC, William Herbert Stimpson, II and Michael Cullen Thompson, Jr. (collectively, "Bienville"), on February 13, 2019, with the number of shares of Common Stock shown as beneficially owned updated to give effect to our reverse stock split. BGOF GP, LLC, which is the general partner of the Bienville Global Opportunities Fund, LP, and Bienville Capital Management, LLC, which is the investment manager of Bienville Global Opportunities Fund, LP, could be deemed to be indirect beneficial owners of the reported shares. William Herbert Stimpson II and Michael Cullen Thompson, Jr. (the "Managers") could also be deemed to be indirect beneficial owners of the reported shares as managers of Bienville Capital Management, LLC and BGOF GP, LLC. The business address of Bienville Argentina Fund is 521 Fifth Avenue, 35th Fl, New York City, NY 10175.

(4) Includes 4,223 shares of phantom stock that vest on May 8, 2018 provided that Mr. Stewart continues to serve on the Board through such date. Each share of phantom stock entitles the holder to receive one share of common stock at the time of vesting.

(5) Based solely on the latest Form 4 dated September 28, 2018, with the number of shares of Common Stock shows as beneficially owned updated to give effect to our reverse stock split. Effective September 28, 2018, Mr. Boswell resigned from his positions as President and Chief Executive Officer the Company and from the Company's Board of Directors.

(6) Includes 148,705 shares of common stock subject to outstanding options that have vested

(7) Includes 132,275 shares of common stock subject to outstanding options that have vested

(8) Includes 70,313 shares of common stock subject to outstanding options that have vested. Mr. Ekstrand ceased to be an employee of the Company effective May 1, 2019.

(9) Includes (i)] 14,703 shares of common stock subject to outstanding options that have vested and (ii) 4,223 shares of phantom stock that vested on May 8, 2019. Each share of phantom stock entitles the holder to receive one share of common stock at the time of vesting.

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

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a description of transactions since January 1, 2017 to which we have been a party, in which the amount involved exceeded or will exceed the lesser of $120,000 or 1% of the average of our total assets at year-end for the last two years, and in which any of our executive officers, directors or holders of more than 5% of our common stock, or an affiliate or immediate family member thereof, had or will have a direct or indirect material interest, other than compensation arrangements, which are described in the section above titled “Executive Compensation.”

Transactions with Fir Tree

On March 3, 2017, the Company entered into a transaction with Fir Tree pursuant to which Fir Tree purchased from ACM Emerging Markets Master Fund I, L.P. $22 million aggregate principal amount of the Company’s outstanding convertible notes which were due in 2018. This transaction was part of a comprehensive recapitalization designed to create a path to a potential equalization of substantially all of the Company’s debt, subject to stockholder approval. As part of the transaction, the Company issued to Fir Tree an additional $19.4 million aggregate principal amount of convertible notes. After giving effect to these transactions, the Company had approximately $41.4 million of outstanding convertible notes. Fir Tree agreed to convert all of the outstanding convertible notes into common stock at a conversion price of $1.40 per share, subject to receipt of stockholder approval and satisfaction of certain other conditions.

On June 20, 2017, the Company converted such notes into Common Stock at a price of $1.40 per share and issued 29,538,786 shares of Common Stock to Fir Tree (the “Conversion”), upon the Company receiving stockholder approval at the Annual Meeting of Stockholders of the Company on June 15, 2017. As such, all obligations under the notes have been deemed paid in full and the notes have been terminated. No termination penalty or fee was incurred in connection with the termination of the notes. The Conversion reduced the Company’s debt by approximately $41.4 million.

On March 29, 2018, we entered into a Securities Purchase Agreement (the “Purchase Agreement”) with Fir Tree, pursuant to which Fir Tree agreed to purchase 10,000 shares of our newly-designated Series A Convertible Preferred Stock, par value $0.001 per share (the “Series A Preferred”), at a price of $1,000 per share. The transaction closed on April 2, 2018 providing for our sale and issuance of 10,000 shares of Series A Preferred, providing $10.0 million of gross proceeds and $9.7 million of net proceeds after expenses to us. Holders of Series A Preferred are entitled to cumulative dividends payable semi-annually in arrears at a rate of (i) 10% per year if we elect to pay the dividend in cash, or (ii) 12% per year if we elect to pay the dividend through the issuance of additional shares of Series A Preferred. On October 1, 2018, we paid the initial dividend on the outstanding shares of Series A Preferred through the issuance of an aggregate of 600 additional shares of Series A Preferred to the holders of outstanding shares of Series A Preferred.

On June 8, 2018, we executed a negotiable demand promissory note (the “Demand Note”) in the principal amount of up to $15.0 million in favor of Eco-Lender, LLC (the “Lender”), a Delaware limited liability company and an affiliate of Fir Tree. Pursuant to the Demand Note, on June 8, 2018, the Lender advanced approximately $5.5 million of gross proceeds and $5.1 million of net proceeds after expenses and on August 16, 2018 the Lender advanced an additional $3.0 million of gross proceeds and $2.97 million of net proceeds to us under the Demand Note. We do not have any right to re-borrow any amounts that have been advanced and repaid under the Demand Note. In addition, the Lender is not obligated to make any additional advances under the Note.

Interest on the unpaid principal balance of the Demand Note accrues at an annual rate of 10%, subject to a default interest rate of 14.00% or 24.00% depending on the payment date following the occurrence of a default. All payments of principal, interest and other amounts under the Demand Note are payable immediately upon written demand by the Lender to us; provided, however, the Lender cannot make any demand for payment under the Demand Note until the earlier of (A) 45 days after the date of the Demand Note, (B) the occurrence of a material adverse change as defined in the Demand Note and determined by the Lender in its sole and absolute discretion, (C) the occurrence of any default or event of default under any material agreement of ours or any of our subsidiaries, and (D) the date upon which we or any of our subsidiaries ceases operating for any reason.

We may prepay, in whole or in part, at any time, the principal, interest and other amounts owing under the Demand Note subject to a prepayment premium of 4.00% of the aggregate amount of such prepayment (inclusive of interest and other amounts due and owing under the Demand Note), provided that the minimum amount of any such prepayment is equal to the lesser of $1 million and the then outstanding balance of the Demand Note.

All of our obligations under the Note are guaranteed by our wholly owned subsidiary, EcoStim, Inc. ("EcoStim"), and secured by a security interest (subject to permitted liens) in substantially all of our personal property, including 100% of the outstanding equity of the our U.S. subsidiaries (including EcoStim, Inc.) and 65% of the outstanding equity of our non-U.S. subsidiaries; provided, however, that the Lender had a subordinate lien on those of our assets that were subject to the lien of Porter Capital pursuant to the Receivables Agreement prior to the termination of such agreement as discussed elsewhere in this Form 10-K.

July 2017 and August 2017 Private Placements

On July 6, 2017, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with each of the purchasers identified on the signature pages thereto, including funds affiliated with Fir Tree and Bienville (collectively, the "July Purchasers") pursuant to which the July Purchasers agreed to purchase 10,000,000 shares of the Company's common stock, par value $0.001 per share, at a price of $1.50 per share (the "July Private Placement"). The issuance of the Shares pursuant to the Purchase Agreement was made in reliance upon an exemption from registration provided under Section 4(a)(2) of the Securities Act. The July Private Placement closed on July 6, 2017 and resulted in approximately $15.0 million of gross proceeds and approximately $14.8 million of net proceeds (after deducting the Company's estimated expenses).

In connection with the closing of the July Private Placement, the Company and the July Purchasers entered into that certain Amended & Restated Registration Rights Agreement, dated July 6, 2017 (the "Registration Rights Agreement"). Under the Registration Rights Agreement, the Company agreed to (i) use its reasonable best efforts to file a Registration Statement (as defined in the Registration Rights Agreement) on Form S-1 or any successor form thereto (each a "Long-Form Registration" as defined in the Registration Rights Agreement) with the Securities and Exchange Commission (the "Commission") upon the initial request of registration from the Demand Holders (as defined in the Registration Rights Agreement) within ninety (90) days after the date on which the initial request is given; and (ii) use its reasonable best efforts to file a Registration Statement on Form S-3 or any successor form thereto, if the Company is qualified for the use of Form S-3, (each a "Short-Form Registration" as defined in the Registration Rights Agreement) with the Commission upon the initial request of registration from the Demand Holders within sixty (60) days after the date on which the initial request is given. In addition, the Registration Rights Agreement provides holders of Registrable Securities (as defined in the Registration Rights Agreement) piggyback registration rights, subject to certain underwriter cutbacks and issuer blackout periods. The Company also agreed to pay all fees and expenses relating to the registration and disposition of the Registrable Securities in compliance with the Company's obligations under the Registration Rights Agreement.

In addition, in connection with the closing of the July Private Placement, the Company's Amended and Restated Stockholders Agreement dated as of March 3, 2017 (the "Rights Agreement") was amended to clarify certain procedures set forth in the Rights Agreement with respect to matters subject to approval by directors nominated by FT SOF VII Holdings, LLC, an affiliate of Fir Tree Partners.

On August 2, 2017, the Company entered into a Common Stock Subscription Agreement (the "Subscription Agreement") with (i) affiliates of Fir Tree, pursuant to which such Fir Tree affiliates agreed to purchase 9,456,056 shares of the Company's common stock, (ii) Bienville Argentina Fund, pursuant to which Bienville agreed to purchase 1,923,077 shares of the Company's common stock and (iii) certain other purchasers identified on the signature pages thereto (the "August Purchasers") pursuant to which such other August Purchasers agreed to purchase an aggregate of 10,124,364 shares of the Company's common stock, in each cases of clauses (i), (ii) and (iii), at a price of $1.43 per share, which was the closing market price for the Company's Common Stock on August 1, 2017 (collectively, the "August Private Placement"). The issuance of such shares of Common Stock pursuant to the Subscription Agreement was made in reliance upon an exemption from registration provided under Section 4(a)(2) of the Securities Act. The August Private Placement closed on August 8, 2017 and resulted in approximately $28.0 million of gross proceeds and approximately $26.7 million of net proceeds (after deducting the Company's estimated expenses).

In connection with the August Private Placement, the Company, Fir Tree, Bienville Argentina Fund, and the August Purchasers entered into a new Registration Rights Agreement as of August 2, 2017 that became effective upon the closing of the August Private Placement (the "PIPE Registration Rights Agreement"). Under the PIPE Registration Rights Agreement, the Company agreed to (i) use its reasonable best efforts to file a Registration Statement ("Shelf Registration Statement" as defined in the PIPE Registration Rights Agreement) with the Commission no later than sixty (60) days following the closing date of the August Private Placement, to be effective no later than one hundred twenty (120) days following such closing date. In addition, the PIPE Registration Rights Agreement provides holders of Registrable Securities (as defined in the PIPE Registration Rights Agreement) piggyback registration rights, subject to certain underwriter cutbacks and issuer blackout periods. The Company agreed to pay all fees and expenses relating to the registration and disposition of the Registrable Securities in compliance with the Company's obligations under the PIPE Registration Rights Agreement.

In connection with the August Private Placement, the prior Restated Registration Rights Agreement, dated as of March 3, 2017 (the "Existing Registration Rights Agreement"), among the Company, Fir Tree, Bienville and the other parties thereto, was amended so as to include definitions related to the August Private Placement, to clarify certain clauses set forth in the Existing Registration Rights Agreement with respect to the Shelf Registration Statement as defined in the PIPE Registration Rights Agreement, and to clarify certain aspects of the relationship between the Company's obligations under the Existing Registration Rights Agreement and the Company's obligations under the PIPE Registration Rights Agreement.

The Registration Rights Agreement and the PIPE Registration Rights Agreement were terminated on February 21, 2019 in contemplation of the deregistration of the Company's common stock with the SEC.

Transactions with Our Directors, Executive Officers and Affiliates

On November 30, 2016, the Company entered into the Loan Agreement with Bienville Argentina Fund, a large stockholder, and an individual. A portion of the $2 million proceeds from the Loan Agreement was used to pay the remaining amount payable (approximately $1 million) by the Company under an equipment purchase agreement dated October 10, 2014, as amended, with Gordon Brothers Commercial & Industrial, LLC for the purchase of certain TPUs. Bienville held $750,000 of the $2 million loan. The indebtedness created under the Loan Agreement, including approximately $24,548 of interest at 14% per annum, was repaid on March 6, 2017 with a portion of the proceeds of the credit facility extended by Fir Tree under the Amended and Restated Convertible Note Facility Agreement.

Director Independence

The members of the Audit Committee, namely Messrs. Krummel and Stewart, the member of the Nominating and Governance Committee, namely Mr. Stewart, and the one member of the Compensation Committee, namely Mr. Krummel have been determined to be independent under the applicable rules of the SEC. For a discussion of independence standards applicable to our Board and factors considered by our Board in making its independence determinations, please refer to "Committees of the Board of Directors" included under Part III, Item 10 of this Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table presents fees for professional audit services performed by Whitley Penn LLP for the audit of our annual financial statements for the fiscal year ended December 31, 2018 and 2017.

	2018	2017
Audit Fees(1)	$ 222,804	$ 170,000
Audit-Related Fees	—	—
Tax Fees	24,492	13,787
All Other Fees	—	—
Total Fees	$ 247,296	$ 183,787

(1) Audit fees include professional services rendered for (i) the audit of our annual financial statements for the fiscal years ended December 31, 2018 and 2017, and (ii) the reviews of the financial statements included in our quarterly reports on Form 10-Q for such years and (iii) the reviews of the S-1 filed during 2017.

Pre-Approval Policies

It is the policy of our Board that all services to be provided by our independent registered public accounting firm, including audit services and permitted audit-related and non-audit services, must be pre-approved by the Audit Committee. The Audit Committee pre-approved all services, audit and non-audit, provided to us by Whitley Penn LLP for 2018.

PART IV.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) *Exhibits*.

Exhibit Number	Description
2.1	Agreement and Plan of Reorganization dated September 18, 2013 by and between Vision Global Solutions, Inc., FRI MergerSub, Inc. and FracRock International Inc. (incorporated by reference to our Schedule 14A filed on October 22, 2013)
3.1	Amended and Restated Articles of Incorporation (incorporated by reference to our Current Report on Form 8-K filed on November 26, 2013).
3.1(a)	Certificate of Designation of Preferences, Rights and Limitations (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on April 2, 2018).
3.1(b)	Certificate of Change (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on February 14, 2019).
3.2	Second Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on March 9, 2017).
3.3	First Amendment to the Second Amended and Restated Bylaws of the Company adopted as of July 6, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on July 7, 2017).
3.4	Second Amendment to the Second Amended and Restated Bylaws of the Company adopted as of August 2, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on August 3, 2017).
3.5	Third Amendment to Second Amended and Restated Bylaws of the Company adopted as of August 25, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on August 25, 2017).
3.3	Certificate of Merger by and between FRI Merger Sub, Inc. and FracRock International, Inc. (incorporated by reference to our Annual Report on Form 10-K filed on March 28, 2014).
4.1	Amended and Restated Stockholder Rights Agreement, dated as of March 3, 2017, by and among Eco-Stim Energy Solutions, Inc. and the parties named therein (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K, filed March 9, 2017).
4.1(a)	First Amendment to Amended and Restated Stockholder Rights Agreement, dated as of July 6, 2017, by and among the Company and the parties named therein (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on July 7, 2017).
4.1(b)	Second Amendment to Amended and Restated Stockholder Rights Agreement, dated as of August 25, 2017, by and among the Company and the parties named therein (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 25, 2017).

Exhibit Number	Description
4.2	Amended & Restated Registration Rights Agreement, dated as of July 6, 2017, by and among the Company and the Purchasers named therein (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on July 7, 2017).
4.2(a)	First Amendment to Amended and Restated Registration Rights Agreement entered into as of August 2, 2017, by and among the Company and the parties named therein, to be effective upon the Closing Date (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on August 3, 2017).
4.3	Registration Rights Agreement entered into as of August 2, 2017, by and among the Company and the Investors named therein, to be effective upon the Closing Date (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on August 3, 2017).
10.1†	Eco-Stim Energy Solutions, Inc. 2013 Stock Incentive Plan (incorporated by reference to our Annual Report on Form 10-K filed on March 28, 2014).
10.2†	Eco-Stim Energy Solutions, Inc. 2015 Stock Incentive Plan (incorporated by reference to our Proxy Statement on Definitive Schedule 14A filed on June 2, 2015).
10.2(a)†	First Amendment to the Eco-Stim Energy Solutions, Inc. 2015 Stock Incentive Plan (incorporated by reference to our Current Report on Form 8-K filed on March 11, 2016).
10.2(b)†	Second Amendment to the Eco-Stim Energy Solutions, Inc. 2015 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on June 21, 2017).
10.3†	Form of Nonstatutory Stock Option Agreement under the Eco-Stim Energy Solutions, Inc. 2015 Stock Incentive Plan (incorporated by reference to Exhibit 10.24 to our Annual Report on Form 10-K filed on March 19, 2018).
10.4†	Form of Phantom Stock Award Agreement under the Eco-Stim Energy Solutions, Inc. 2015 Stock Incentive Plan (Officers/Employees) (incorporated by reference to Exhibit 10.25 to our Annual Report on Form 10-K filed on March 19, 2018).
10.5†	Form of Phantom Stock Award Agreement under the Eco-Stim Energy Solutions, Inc. 2015 Stock Incentive Plan (Directors) (incorporated by reference to Exhibit 10.26 to our Annual Report on Form 10-K filed on March 19, 2018).
10.6†	Form of Phantom Stock Award Agreement under the Eco-Stim Energy Solutions, Inc. 2015 Stock Incentive Plan (Chairman) (incorporated by reference to Exhibit 10.27 to our Annual Report on Form 10-K filed on March 19, 2018).
10.7†*	Form of Performance Share Unit Grant Notice under the Eco-Stim Energy Solutions, Inc. 2015 Stock Incentive Plan.

Exhibit Number	Description
10.8†*	Form of Phantom Stock Award Grant Notice (Change of Control Based Vesting) under the Eco-Stim Energy Solutions, Inc. 2015 Stock Incentive Plan.
10.9†*	Form of Phantom Stock Award Grant Notice (Argentina Sale Based Vesting) under the Eco-Stim Energy Solutions, Inc. 2015 Stock Incentive Plan.
10.10†	Employment Agreement by and between Eco-Stim Energy Solutions, Inc. and Alexander Nickolatos, effective as of April 1, 2017 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 27, 2017)
10.11†*	Performance Award Agreement by and between Eco-Stim Energy Solutions, Inc. and Alexander Nickolatos effective as of October 30, 2018
10.12†	Employment Agreement by and between Eco-Stim Energy Solutions, Inc. and Carlos A. Fernandez, effective as of April 1, 2017 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 21, 2017)
10.13†*	Performance Award Agreement by and between Eco-Stim Energy Solutions, Inc. and Carlos A. Fernandez effective as of October 30, 2018
10.14†	Employment Agreement by and between Eco-Stim Energy Solutions, Inc. and Barry Ekstrand, effective as of April 5, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 19, 2017)
10.15†	Employment Agreement by and between Eco-Stim Energy Solutions, Inc. and J. Christopher Boswell, effective as of April 1, 2017 (incorporated by reference to the Company's Current Report on Form 8-K filed on April 27, 2017)
10.16†*	Separation and Release Agreement, dated as of September 28, 2018, by and between the Company and J. Christopher Boswell
10.17†	Letter Agreement dated as of January 2, 2018 between Eco-Stim Energy Solutions, Inc. and Brian R. Stewart (incorporated by reference to Exhibit 10.28 to our Annual Report on Form 10-K filed on March 19, 2018).
10.18†	Amendment to Letter Agreement between Eco-Stim Energy Solutions, Inc. and Brian R. Stewart (incorporated by reference to Exhibit 10.1 on the Company's Form 10-Q filed on August 14, 2018).
21.1	Subsidiaries of the registrant (incorporated by reference to Exhibit 21.1 to the Company's Registration Statement on Form S-1 filed on July 25, 2014)
31.1*	Rule 13(a)-14(a) Certification of the Chief Executive Officer/Chief Financial Officer.
32.1**	Section 1350 Certification of the Chief Executive Officer/Chief Financial Officer.
101.INS**	XBRL Instance Document.
101.SCH**	XBRL Taxonomy Extension Schema Document.
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.
** Furnished herewith.
† Indicates management contract or compensatory plan or arrangement

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

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

Date: May 10, 2019

ECO-STIM ENERGY SOLUTIONS, INC.

By: */s/ Alexander Nickolatos*
Alexander Nickolatos
Interim Chief Executive Officer and Chief Financial Officer

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

Name	Title	Date
/s/ Alexander Nickolatos Alexander Nickolatos	Director, Interim Chief Executive Officer and Chief Financial Officer (Principal Executive Officer, Principal Financial and Accounting Officer)	May 10, 2019
/s/ Brian R. Stewart Brian R. Stewart	Chairman	May 10, 2019
/s/ Christopher A. Krummel Christopher A. Krummel	Director	May 10, 2019
/s/ John Hageman John Hageman	Director, Chief Legal Officer	May 10, 2019

[Final Form]

ECO-STIM ENERGY SOLUTIONS, INC.
2015 STOCK INCENTIVE PLAN

PERFORMANCE SHARE UNIT GRANT NOTICE

Pursuant to the terms and conditions of the Eco-Stim Energy Solutions, Inc. 2015 Stock Incentive Plan, as amended from time to time (the "***Plan***"), Eco-Stim Energy Solutions, Inc. (the "***Company***") hereby grants to the individual listed below ("***you***" or the "***Participant***") the number of performance share units (the "***PSUs***") set forth below. This award of PSUs (this "***Award***") is subject to the terms and conditions set forth herein and in the Performance Share Unit Agreement attached hereto as Exhibit A (the "***Agreement***") and the Plan, each of which is incorporated herein by reference. Capitalized terms used but not defined herein shall have the meanings set forth in the Plan.

Participant:	[●]
Date of Grant:	[●], 2018
Award Type and Description:	Performance Award granted pursuant to Paragraph IX of the Plan. This Award represents the right to receive shares of Common Stock in an amount equal to 0% or 100% of the Base PSUs (defined below) plus 0% or 100% of the Stretch PSUs (defined below), subject to the terms and conditions set forth herein and in the Agreement. Your right to receive settlement of this Award shall vest and become earned and nonforfeitable upon (i) your satisfaction of the continued employment or service requirements described below under "Service Requirement" and (ii) the Committee's certification of the level of achievement of the Performance Goal (defined below). The number of PSUs actually earned upon satisfaction of the foregoing requirements is referred to herein as the "***Earned PSUs***."
Number of PSUs:	[●] (the "***Base PSUs***") and [●] (the "***Stretch PSUs***").
Performance Period:	[●], 2018 (the "***Performance Period Commencement Date***") through December 31, 2018 (the "***Performance Period End Date***").
Performance Goals:	The "***Performance Goal***" is based on the Company's adjusted earnings from its U.S. operations before interest, taxes, depreciation and amortization during the Performance Period, as more fully described in Exhibit B attached hereto.
Service Requirement:	Except as expressly provided in Section 3 of the Agreement, you must remain continuously employed by, or continuously provide services to, the Company or an Affiliate, as applicable, from the Date of Grant through the date on which the Committee certifies the level of achievement of the Performance Goal (the "***Certification Date***"), which certification shall not be unreasonably delayed beyond the Performance Period End Date, to be eligible to receive payment of this Award, which payment is based on such achievement with respect to the Performance Goal.
Settlement:	Settlement of the Earned PSUs shall be made solely in shares of Common Stock, which shall be delivered to you in accordance with Section 4 of the Agreement.

By your signature below, you agree to be bound by the terms and conditions of the Plan, the Agreement and this Performance Share Unit Grant Notice (this "***Grant Notice***"). You acknowledge that you have reviewed the Agreement, the Plan and this Grant Notice in their entirety and fully understand all provisions of the Agreement, the Plan and this Grant Notice. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee regarding any questions or determinations that arise under the Agreement, the Plan or this Grant Notice. This Grant Notice may be executed in one or more counterparts (including portable document format (.pdf) and facsimile counterparts), each of which shall be deemed to be an original, but all of which together shall constitute one and the same agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Grant Notice to be executed by an officer thereunto duly authorized, and the Participant has executed this Grant Notice, effective for all purposes as provided above.

COMPANY

Eco-Stim Energy Solutions, Inc.

By: ____________________________
Name:
Its:

PARTICIPANT

____
Name:

Signature Page to
Performance Share Unit Grant Notice

EXHIBIT A

PERFORMANCE SHARE UNIT AGREEMENT

This Performance Share Unit Agreement (together with the Grant Notice to which this Agreement is attached, this "***Agreement***") is made as of the Date of Grant set forth in the Grant Notice to which this Agreement is attached by and between Eco-Stim Energy Solutions, Inc., a Nevada corporation (the "***Company***"), and __________ (the "***Participant***"). Capitalized terms used but not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice.

1. **Award**. In consideration of the Participant's past and/or continued employment with, or service to, the Company or its Affiliates and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, effective as of the Date of Grant set forth in the Grant Notice (the "***Date of Grant***"), the Company hereby grants to the Participant the number of Base PSUs and Stretch PSUs set forth in the Grant Notice on the terms and conditions set forth in the Grant Notice, this Agreement and the Plan, which is incorporated herein by reference as a part of this Agreement. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control. To the extent earned and vested, each PSU represents the right to receive one share of Common Stock, subject to the terms and conditions set forth in the Grant Notice, this Agreement and the Plan; provided, however, that, depending on the level of performance determined to be attained with respect to the Performance Goal, the number of shares of Common Stock that may be earned hereunder in respect of this Award is equal to 0% or 100% of the Base PSUs plus 0% or 100% of the Stretch PSUs. Unless and until the PSUs have become earned and vested in accordance with this Agreement, the Participant will have no right to receive any shares of Common Stock or other payments in respect of the PSUs. Prior to settlement of this Award, the PSUs and this Award represent an unsecured obligation of the Company, payable only from the general assets of the Company.

2. **Earning and Vesting of PSUs**. Except as otherwise set forth in Section 3, the PSUs shall become Earned PSUs based on the extent to which the Company has satisfied the Performance Goal set forth in the Grant Notice, which shall be determined by the Committee in its sole discretion following the end of the Performance Period as described in Exhibit B attached hereto. Any PSUs that do not become Earned PSUs shall be automatically forfeited. Once the number of Earned PSUs has been determined, the Participant must satisfy the Service Requirement as set forth in the Grant Notice or pursuant to Section 3 in order for such Earned PSUs to vest and become nonforfeitable. Any Earned PSUs that do not vest and become nonforfeitable shall automatically be forfeited. Unless and until the PSUs have become Earned PSUs and the Service Requirement with respect to such Earned PSUs has been satisfied in accordance with this Section 2 or Section 3, the Participant will have no right to receive any dividends or other distribution with respect to the PSUs.

3. **Effect of Termination of Employment or Service; Change of Control**

(a) Termination of Employment or Service Relationship due to Death or Disability. Upon the termination of the Participant's employment or other service relationship with the Company or an Affiliate due to the Participant's "Disability" (as defined in Section 3(d) below) or death that occurs prior to the Certification Date, then the Participant shall be deemed to have satisfied the Service Requirement with respect to the Base PSUs and the Stretch PSUs and such PSUs shall remain outstanding and shall become Earned PSUs based on the extent to which the Performance Goal is achieved, with any Earned PSUs being eligible for settlement in accordance with Section 4.

(b) Other Termination of Employment or Service. Except as otherwise provided in Section 3(a), upon the termination of the Participant's employment or other service relationship with the Company or an Affiliate for any reason, any unearned PSUs (and all rights arising from such PSUs and from being a holder thereof) and any Earned PSUs for which the Service Requirement has not been satisfied will terminate automatically without any further action by the Company and will be forfeited without further notice and at no cost to the Company.

(c) Change of Control.

(i) In the event a Change of Control (as defined in Section 3(d) below) occurs prior to the Performance Period End Date, so long as the Participant has remained continuously employed by, or has continuously provided services to, the Company or an Affiliate, as applicable, from the Date of Grant through the date of such Change of Control, then a number of PSUs equal to 100% of the Base PSUs plus 100% of the Stretch PSUs shall be deemed Earned PSUs and the Participant shall be deemed to have satisfied the Service Requirement with respect to such Earned PSUs as of the date of such Change of Control, which Earned PSUs shall be eligible for settlement in accordance with Section 4 except that settlement shall occur within 60 days following the date of such Change of Control.

(ii) In the event a Change of Control occurs following the Performance Period End Date but prior to the Certification Date, so long as the Participant has remained continuously employed by, or has continuously provided services to, the Company or an Affiliate, as applicable, from the Date of Grant through the date of such Change of Control, then the Participant shall be deemed to have satisfied the Service Requirement with respect to the Base PSUs and the Stretch PSUs and such PSUs shall remain outstanding and shall become Earned PSUs based on the extent to which the Performance Goal is achieved, with any Earned PSUs being eligible for settlement in accordance with Section 4**.**

(d) Certain Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth below:

(i) "***Change of Control***" shall mean the occurrence of any of the following events:

(1) a merger of the Company with another entity, a consolidation involving the Company, or the sale of all or substantially all of the assets of the Company to another entity if, in any such case, the holders of equity securities of the Company immediately prior to such transaction or event do not beneficially own immediately after such transaction or event equity securities of the resulting entity entitled to 50% or more of the votes then eligible to be cast in the election of directors generally (or comparable governing body) of the resulting entity in substantially the same proportions that they owned the equity securities of the Company immediately prior to such transaction or event;

(2) the dissolution or liquidation of the Company; or

(3) the acquisition by any person or entity, including a "group" as contemplated by Section 13(d)(3) of the Exchange Act, of ownership or control (including, without limitation, power to vote) of more than 50% of the combined voting power of the outstanding securities of the Company.

For purposes of the preceding sentence, (a) "resulting entity" in the context of a transaction or event that is a merger, consolidation or sale of all or substantially all assets shall mean the surviving entity (or acquiring entity in the case of an asset sale) unless the surviving entity (or acquiring entity in the case of an asset sale) is a subsidiary of another entity and the holders of Common Stock of the Company receive capital stock of such other entity in such transaction or event, in which event the resulting entity shall be such other entity, and (b) subsequent to the consummation of a merger or consolidation that does not constitute a Change of Control, the term "Company" shall refer to the resulting entity and the term "Board" shall refer to the board of directors (or comparable governing body) of the resulting entity.

(ii) "***Disability***" shall mean the inability of the Participant to perform the essential duties and services of the Participant's position (after accounting for reasonable accommodation, if applicable) by reason of any physical or mental impairment or other impairment that can be reasonably expected to result in death or to last for a continuous period of not less than three (3) months. The Participant shall be considered to have a Disability if (i) the Participant is determined to be totally disabled by the Social Security Administration or (ii) the Participant is determined to be disabled under the Company's long-term disability plan in which the Participant participates so long as such plan defines "disability" in a manner that is consistent with the immediately preceding sentence.

4. **Settlement of Earned PSUs**. As soon as administratively practicable following the Certification Date, but in no event later than March 30 of the calendar year following the Performance Period End Date, the Company shall deliver to the Participant (or the Participant's permitted transferee, if applicable), a number of shares of Common Stock equal to the number of Earned PSUs for which the Service Requirement has been satisfied. All shares of Common Stock, if any, issued hereunder shall be delivered either by delivering one or more certificates for such shares of Common Stock to the Participant or by entering such shares of Common Stock in book-entry form, as determined by the Committee in its sole discretion. The value of shares of Common Stock shall not bear any interest owing to the passage of time. Neither this Section 4 nor any action taken pursuant to or in accordance with this Agreement shall be construed to create a trust or a funded or secured obligation of any kind.

5. **<u>Tax Withholding</u>**. To the extent that the receipt, vesting or settlement of this Award results in compensation income or wages to the Participant for federal, state, local and/or foreign tax purposes, the Participant shall make arrangements satisfactory to the Company for the satisfaction of obligations for the payment of withholding taxes and other tax obligations relating to this Award, which arrangements include the delivery of cash or cash equivalents, Common Stock (including previously owned Common Stock, net settlement, a broker-assisted sale, or other cashless withholding or reduction of the shares of Common Stock otherwise issuable or delivered pursuant to this Award), other property, or any other legal consideration the Committee deems appropriate. If such tax obligations are satisfied through net settlement or the surrender of previously owned Common Stock, the maximum number of shares of Common Stock that may be so withheld (or surrendered) shall be the number of shares of Common Stock that have an aggregate Fair Market Value on the date of withholding or surrender equal to the aggregate amount of such tax liabilities determined based on the greatest withholding rates for federal, state, local and/or foreign tax purposes, including payroll taxes, that may be utilized without creating adverse accounting treatment for the Company with respect to this Award, as determined by the Committee. The Participant acknowledges that there may be adverse tax consequences upon the receipt, vesting or settlement of this Award or disposition of the underlying shares and that the Participant has been advised, and hereby is advised, to consult a tax advisor. The Participant represents that the Participant is in no manner relying on the Board, the Committee, the Company or any of its Affiliates or any of their respective managers, directors, officers, employees or authorized representatives (including, without limitation, attorneys, accountants, consultants, bankers, lenders, prospective lenders and financial representatives) for tax advice or an assessment of such tax consequences.

6. **<u>FCPA</u>**. The Participant shall perform all duties as an employee, consultant, or other service provider on behalf of the Company in strict compliance with the laws of the State of Texas and the United States of America in effect from time to time, including without limitation, the Foreign Corrupt Practices Act of 1977 and amendments thereto ("***FCPA***") and the export control and anti-boycott laws and regulations of the United States in effect from time to time while this Agreement is in effect. The Participant acknowledges having received and reviewed a copy of the Company's FCPA compliance policy and PowerPoint presentation concerning the terms and provisions of the FCPA in effect as of the date of this Agreement and the purposes of the FCPA. The Participant acknowledges that the FCPA in general makes it a crime under United States law for a U.S. firm such as the Company knowingly to make payments to a foreign governmental official, or political party or candidate, directly or indirectly, in order to receive or retain business. Accordingly, the Participant shall not make on behalf of the Company any payments, loans or gifts or promises or offers of payments, loans or gifts of any money or anything of value, directly or indirectly,

(a) to or for the use or benefit of any official or employee of any United States or foreign government or the agency or instrumentalities of any such government,

(b) to any political party or official or candidate thereof,

(c) to any other person if the Participant knows or has reason to suspect that any part of such payment, loan or gift will be directly or indirectly given or paid to any such governmental official or political party or candidate or official thereof, or

(d) to any other person or entity, the payment of which would violate either the laws or policies of United States any foreign country.

The Participant represents and warrants that on the date of this Agreement neither the Participant nor any family member living in the Participant's household is an official or employee of (i) any foreign government or an international organization covered by the FCPA or similar laws, or any department, agency, or instrumentality thereof, (ii) a political party in any foreign country or an official thereof, (iii) a candidate for political office in any foreign country, or (iv) a person acting in an official capacity for or on behalf of any foreign government or any international organization covered by the FCPA or similar laws, or any department, agency, or instrumentality thereof.

7. **Non-Transferability**. During the lifetime of the Participant, the PSUs may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the shares of Common Stock underlying the PSUs have been issued, and all restrictions applicable to such shares have lapsed. Neither the PSUs nor any interest or right therein shall be liable for the debts, contracts or engagements of the Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means, whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

8. **Compliance with Applicable Law**. Notwithstanding any provision of this Agreement to the contrary, the issuance of shares of Common Stock hereunder will be subject to compliance with all applicable requirements of applicable law with respect to such securities and with the requirements of any stock exchange or market system upon which the Common Stock may then be listed. No shares of Common Stock will be issued hereunder if such issuance would constitute a violation of any applicable law or regulation or the requirements of any stock exchange or market system upon which the Common Stock may then be listed. In addition, shares of Common Stock will not be issued hereunder unless (a) a registration statement under the Securities Act of 1933, as amended, is in effect at the time of such issuance with respect to the shares to be issued or (b) in the opinion of legal counsel to the Company, the shares to be issued are permitted to be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act of 1933, as amended. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary for the lawful issuance and sale of any shares of Common Stock hereunder will relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority has not been obtained. As a condition to any issuance of Common Stock hereunder, the Company may require the Participant to satisfy any requirements that may be necessary or appropriate to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect to such compliance as may be requested by the Company.

9. **Legends**. If a stock certificate is issued with respect to shares of Common Stock issued hereunder, such certificate shall bear such legend or legends as the Committee deems appropriate in order to reflect the restrictions set forth in this Agreement and to ensure compliance with the terms and provisions of this Agreement, the rules, regulations and other requirements of the Securities and Exchange Commission, any applicable laws or the requirements of any stock exchange on which the Common Stock is then listed. If the shares of Common Stock issued hereunder are held in book-entry form, then such entry will reflect that the shares are subject to the restrictions set forth in this Agreement.

10. **Rights as a Stockholder; Stockholder Rights Agreement**. The Participant shall have no rights as a stockholder of the Company with respect to any shares of Common Stock that may become deliverable hereunder unless and until the Participant has become the holder of record of such shares of Common Stock, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of any such shares of Common Stock, except as otherwise specifically provided for in the Plan or this Agreement. The Participant acknowledges that the shares of Common Stock delivered hereunder shall be subject to the terms of the Company's Amended and Restated Stockholder Rights Agreement (as amended from time to time), among the Company and its stockholders.

11. **Execution of Receipts and Releases**. Any issuance or transfer of shares of Common Stock or other property to the Participant or the Participant's legal representative, heir, legatee or distributee, in accordance with this Agreement shall be in full satisfaction of all claims of such person hereunder. As a condition precedent to such payment or issuance, the Company may require the Participant or the Participant's legal representative, heir, legatee or distributee to execute (and not revoke within any time provided to do so) a release and receipt therefor in such form as it shall determine appropriate; provided, however, that any review period under such release will not modify the date of settlement with respect to Earned PSUs.

12. **No Right to Continued Employment, Service or Awards**. Nothing in the adoption of the Plan, nor the award of the PSUs thereunder pursuant to the Grant Notice and this Agreement, shall confer upon the Participant the right to continued employment by, or a continued service relationship with, the Company or any Affiliate, or any other entity, or affect in any way the right of the Company or any such Affiliate, or any other entity to terminate such employment or other service relationship at any time. The grant of the PSUs is a one-time benefit and does not create any contractual or other right to receive a grant of Awards or benefits in lieu of Awards in the future. Any future Awards will be granted at the sole discretion of the Company.

13. **Notices**. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Participant at the address for the Participant indicated on the signature page to this Agreement (as such address may be updated by the Participant providing written notice to such effect to the Company). Any notice that is delivered personally or by overnight courier or telecopier in the manner provided herein shall be deemed to have been duly given to the Participant when it is mailed by the Company or, if such notice is not mailed to the Participant, upon receipt by the Participant. Any notice that is addressed and mailed in the manner herein provided shall be conclusively presumed to have been given to the party to whom it is addressed at the close of business, local time of the recipient, on the fourth day after the day it is so placed in the mail.

14. **Consent to Electronic Delivery; Electronic Signature**. In lieu of receiving documents in paper format, the Participant agrees, to the fullest extent permitted by law, to accept electronic delivery of any documents that the Company may be required to deliver (including, but not limited to, prospectuses, prospectus supplements, grant or award notifications and agreements, account statements, annual and quarterly reports and all other forms of communications) in connection with this and any other Award made or offered by the Company. Electronic delivery may be via a Company electronic mail system or by reference to a location on a Company intranet to which the Participant has access. The Participant hereby consents to any and all procedures the Company has established or may establish for an electronic signature system for delivery and acceptance of any such documents that the Company may be required to deliver, and agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his or her manual signature.

15. **Agreement to Furnish Information**. The Participant agrees to furnish to the Company all information requested by the Company to enable it to comply with any reporting or other requirement imposed upon the Company by or under any applicable statute or regulation.

16. **Entire Agreement; Amendment**. This Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to the PSUs granted hereby; provided, however, that the terms of this Agreement shall not modify and shall be subject to the terms and conditions of any employment, consulting and/or severance agreement between the Company (or an Affiliate or other entity) and the Participant in effect as of the date a determination is to be made under this Agreement. Without limiting the scope of the preceding sentence, except as provided therein, all prior understandings and agreements, if any, among the parties hereto relating to the subject matter hereof are hereby null and void and of no further force and effect. The Committee may, in its sole discretion, amend this Agreement from time to time in any manner that is not inconsistent with the Plan; provided, however, that except as otherwise provided in the Plan or this Agreement, any such amendment that materially reduces the rights of the Participant shall be effective only if it is in writing and signed by both the Participant and an authorized officer of the Company.

17. **Severability; Waiver**. If a court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then the invalidity or unenforceability of such provision shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect. Waiver by any party of any breach of this Agreement or failure to exercise any right hereunder shall not be deemed to be a waiver of any other breach or right. The failure of any party to take action by reason of such breach or to exercise any such right shall not deprive the party of the right to take action at any time while or after such breach or condition giving rise to such rights continues.

18. **Clawback.** Notwithstanding any provision in the Grant Notice, this Agreement or the Plan to the contrary, to the extent required by (a) applicable law, including, without limitation, the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, any Securities and Exchange Commission rule or any applicable securities exchange listing standards and/or (b) any policy that may be adopted or amended by the Board from time to time, all shares of Common Stock issued hereunder shall be subject to forfeiture, repurchase, recoupment and/or cancellation to the extent necessary to comply with such law(s) and/or policy.

19. **Governing Law**. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED THEREIN, EXCLUSIVE OF THE CONFLICT OF LAWS PROVISIONS OF TEXAS LAW.

20. **Successors and Assigns.** The Company may assign any of its rights under this Agreement without the Participant’s consent. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein and in the Plan, this Agreement will be binding upon the Participant and the Participant's beneficiaries, executors, administrators and the person(s) to whom the PSUs may be transferred by will or the laws of descent or distribution.

21. **Headings**. The titles and headings of the various sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Agreement.

22. **Counterparts**. The Grant Notice may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. Delivery of an executed counterpart of the Grant Notice by facsimile or portable document format (.pdf) attachment to electronic mail shall be effective as delivery of a manually executed counterpart of the Grant Notice.

23. **Section 409A**. Notwithstanding anything herein or in the Plan to the contrary, the PSUs granted pursuant to this Agreement are intended to be exempt from the applicable requirements of Section 409A of the Code, as amended from time to time, including the guidance and regulations promulgated thereunder and successor provisions, guidance and regulations thereto (the “***Nonqualified Deferred Compensation Rules***”), and shall be construed and interpreted in accordance with such intent. Nevertheless, to the extent that the Committee determines that the PSUs may not be exempt from the Nonqualified Deferred Compensation Rules, then, if the Participant is deemed to be a “specified employee” within the meaning of the Nonqualified Deferred Compensation Rules, as determined by the Committee, at a time when the Participant becomes eligible for settlement of the PSUs upon his “separation from service” within the meaning of the Nonqualified Deferred Compensation Rules, then to the extent necessary to prevent any accelerated or additional tax under the Nonqualified Deferred Compensation Rules, such settlement will be delayed until the earlier of: (a) the date that is six months following the Participant’s separation from service and (b) the Participant’s death. Notwithstanding the foregoing, the Company and its Affiliates make no representations that the PSUs provided under this Agreement are exempt from or compliant with the Nonqualified Deferred Compensation Rules and in no event shall the Company or any Affiliate be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with the Nonqualified Deferred Compensation Rules.

<u>EXHIBIT B</u>

PERFORMANCE GOAL

The performance goal for the Base PSUs and the Stretch PSUs shall be based on "Field Level Adjusted EBITDA" (as more specifically defined below) during the Performance Period.

The term "<u>Field Level Adjusted EBITDA</u>" shall (i) represent the revenues less cost of services (excluding corporate SG&A) for the Company's operations based out of Fairview, Oklahoma; (ii) include both frac and pump down revenue and associated costs; and (iii) be calculated in the manner as reviewed weekly with the Company's Chairman.

<u>Base PSUs</u>

You will earn a number of Base PSUs (*i.e.,* the Earned PSUs) as determined in accordance with the table below. The Committee, in its sole discretion, will review, analyze and certify the Company's Field Level Adjusted EBITDA for the Performance Period and will determine the number of Earned PSUs in accordance with the terms of this Agreement, the Grant Notice and the Plan.

Field Level Adjusted EBITDA	**Earned PSUs (% of Base PSUs)**
Less than $[●]	0%
$[●] or greater	100%

<u>Stretch PSUs</u>

You will earn a number of Stretch PSUs (i.e., the Earned PSUs) as determined in accordance with the table below. The Committee, in its sole discretion, will review, analyze and certify the Company's Field Level Adjusted EBITDA for the Performance Period and will determine the number of Earned PSUs in accordance with the terms of this Agreement, the Grant Notice and the Plan.

Field Level Adjusted EBITDA	**Earned PSUs (% of Stretch PSUs)**
Less than $[●]	0%
$[●] or greater	100%

[Form of Award Agreement – Change of Control Based Vesting]

ECO-STIM ENERGY SOLUTIONS, INC.
2015 STOCK INCENTIVE PLAN

PHANTOM STOCK AWARD GRANT NOTICE

Pursuant to the terms and conditions of the Eco-Stim Energy Solutions, Inc. 2015 Stock Incentive Plan, as amended from time to time (the "***Plan***"), Eco-Stim Energy Solutions, Inc. (the "***Company***") hereby grants to the individual listed below ("***you***" or the "***Participant***") the number of shares of phantom stock (the "***Phantom Shares***") set forth below. This award of Phantom Shares (this "***Award***") is subject to the terms and conditions set forth in this Phantom Stock Award Grant Notice (this "***Grant Notice***") and in the Phantom Stock Award Agreement attached hereto as Exhibit A (the "***Agreement***") and the Plan, each of which is incorporated herein by reference. Capitalized terms used but not defined herein shall have the meanings set forth in the Plan.

Participant:	[●]
Date of Grant:	[●], 2018
Total Number of Phantom Shares:	[●]
Vesting Schedule:	Subject to the Agreement, the Plan and the other terms and conditions set forth herein, all of the Phantom Shares shall vest on the date that a Change of Control occurs so long as you remain continuously employed by the Company or its Affiliates, as applicable, from the Date of Grant through the date of such Change of Control; provided, however, that (i) such Change of Control occurs on or before the first anniversary of the Date of Grant and (ii) the amount of aggregate consideration paid to the common stockholders of the Company pursuant to such Change of Control is equal to or greater than $[●][●] per share of Common Stock. For the avoidance of doubt, (x) if a Change of Control occurs after the first anniversary of the Date of Grant or (y) if a Change of Control occurs on or before the first anniversary of the Date of Grant but the aggregate consideration paid to the common stockholders of the Company pursuant to such Change of Control is less than $[●][●] per share of Common Stock, all Phantom Shares (and all rights arising from such Phantom Shares and from being a holder thereof) will terminate automatically without any further action by the Company and will be forfeited without further notice and at no cost to the Company. Notwithstanding the schedule set forth above, the Phantom Shares granted hereunder shall also be eligible to become vested as set forth in Section 3(b) of the Agreement.

By your signature below, you represent, warrant and covenant to the Company that:

(a) You have received the Agreement and the Plan, read the terms of the Agreement and the Plan and have been given the opportunity to consult with counsel, ask questions of or request additional information from the Company.

(b) You agree to be bound by the terms and conditions of the Plan and the Agreement (including this Grant Notice).

(c) You agree to accept as binding, conclusive and final all decisions or interpretations of the Committee regarding any questions or determinations that arise under the Agreement (including this Grant Notice) or the Plan.

This Grant Notice may be executed in one or more counterparts (including portable document format (.pdf) and facsimile counterparts), each of which shall be deemed to be an original, but all of which together shall constitute one and the same agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Grant Notice to be executed by an officer thereunto duly authorized, and the Participant has executed this Grant Notice, effective for all purposes as provided above.

COMPANY

Eco-Stim Energy Solutions, Inc.

By: ______________________________
Name:
Its:

PARTICIPANT

____
Name:
Address:

SIGNATURE PAGE
TO PHANTOM STOCK AWARD GRANT NOTICE

EXHIBIT A

PHANTOM STOCK AWARD AGREEMENT

This Phantom Stock Award Agreement (together with the Grant Notice to which this Agreement is attached, this " ***Agreement***") is made as of the Date of Grant set forth in the Grant Notice to which this Agreement is attached by and between Eco-Stim Energy Solutions, Inc., a Nevada corporation (the "***Company***"), and [●] (the "***Participant***"). Capitalized terms used but not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice.

1. **Award**. In consideration of the Participant's past and/or continued employment with, or service to, the Company or its Affiliates and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, effective as of the Date of Grant set forth in the Grant Notice (the "***Date of Grant***"), the Company hereby grants to the Participant the number of Phantom Shares set forth in the Grant Notice on the terms and conditions set forth in the Grant Notice, this Agreement and the Plan, which is incorporated herein by reference as a part of this Agreement. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control; provided, however, that this Agreement may impose greater restrictions or grant lesser rights than the Plan. To the extent vested, each Phantom Share represents the right to receive one share of Common Stock, subject to the terms and conditions set forth in the Grant Notice, this Agreement and the Plan. Unless and until the Phantom Shares have become vested in the manner set forth in the Grant Notice, the Participant will have no right to receive any Common Stock or other payments in respect of the Phantom Shares. Prior to settlement of this Award, the Phantom Shares and this Award represent an unsecured obligation of the Company, payable only from the general assets of the Company.

2. **Definitions**

(a) ***"Cause"*** shall mean:

(i) the Participant's failure without proper legal reason to perform his or her duties and responsibilities to the Company or any Affiliate faithfully and to the best of his or her abilities;

(ii) the Participant engages in gross negligence, gross incompetence or willful misconduct in the performance of his or her duties with respect to the Company or any Affiliate

(iii) any act by the Participant involving fraud, misrepresentation, theft, embezzlement, or dishonesty on a material matter in connection with the Participant's employment with, or performance of the his or her duties for, the Company or any Affiliate;

(iv) conviction of the Participant, or a plea by the Participant of guilty or *nolo contendere* to, an offense that is a (A) felony (or a crime of similar import in a foreign jurisdiction) or (B) crime involving fraud, dishonesty or moral turpitude;

(v) material breach by the Participant, of the Participant's written employment agreement with the Company or any of its Affiliates, or corporate policy, or code of conduct established by the Company or any of its Affiliates; or

(vi) the Participant breaches Section 7 of this Agreement.

(b) "***Change of Control***" shall mean the approval by the Board of, and subsequent occurrence of, any of the following events:

(i) a merger of the Company with another entity, a consolidation involving the Company, or the sale of all or substantially all of the assets of the Company to another entity if, in any such case, the holders of equity securities of the Company immediately prior to such transaction or event do not beneficially own immediately after such transaction or event equity securities of the resulting entity entitled to 50% or more of the votes then eligible to be cast in the election of directors generally (or comparable governing body) of the resulting entity in substantially the same proportions that they owned the equity securities of the Company immediately prior to such transaction or event;

(ii) the dissolution or liquidation of the Company; or

(iii) the acquisition by any person or entity, including a "group" as contemplated by Section 13(d)(3) of the Exchange Act, of ownership or control (including, without limitation, power to vote) of more than 50% of the combined voting power of the outstanding securities of the Company.

For purposes of the preceding sentence, (1) "resulting entity" in the context of a transaction or event that is a merger, consolidation or sale of all or substantially all assets shall mean the surviving entity (or acquiring entity in the case of an asset sale) unless the surviving entity (or acquiring entity in the case of an asset sale) is a subsidiary of another entity and the holders of Common Stock of the Company receive capital stock of such other entity in such transaction or event, in which event the resulting entity shall be such other entity, and (2) subsequent to the consummation of a merger or consolidation that does not constitute a Change of Control, the term "Company" shall refer to the resulting entity and the term "Board" shall refer to the board of directors (or comparable governing body) of the resulting entity.

(c) ***"Disability"*** shall mean the inability of the Participant to perform the essential duties and services of the Participant's position (after accounting for reasonable accommodation, if applicable) by reason of any physical or mental impairment or other impairment that can be reasonably expected to result in death or to last for a continuous period of not less than three (3) months. The Participant shall be considered to have a Disability if (i) the Participant is determined to be totally disabled by the Social Security Administration or (ii) the Participant is determined to be disabled under the Company's long-term disability plan in which the Participant participates so long as such plan defines "disability" in a manner that is consistent with the immediately preceding sentence.

(d) ***"Good Reason"*** shall mean the occurrence of any of the following without the Participant's express written consent:

(i) A material diminution in the Participant's annualized base salary;

(ii) A change in the location where the Participant is expected or required to perform the majority of the Participant's job duties at the time the Participant executes this Agreement ("***Base Location***") to a location that is more than twenty (20) miles from the Base Location, except for travel reasonably required of the Participant on the Company's business;

(iii) A substantial and adverse diminution in the Participant's duties, authority, responsibility and position with the Company; or

(iv) Any breach by the Company of any material provision of the Participant's written employment agreement.

The Participant's resignation for Good Reason shall be effective only if all of the following conditions are satisfied: (1) the Participant provides written notice to the Company of the fact, event, condition or circumstance set forth in clause (i), (ii), (iii) or (iv) above within thirty (30) days following the initial existence of such fact, event, condition or circumstance, (2) the fact, event, condition or circumstance specified in such notice must remain uncorrected for thirty (30) days following the Company's receipt of such written notice and (3) the date of the Participant's termination of employment must occur within sixty (60) days following the Company's receipt of such notice. If the Company timely cures the fact, event, condition or circumstance giving rise to Good Reason for the Participant's resignation, the notice of resignation for Good Reason shall become null and void.

(e) "***Involuntary Termination***" shall mean any termination of the Participant's employment with the Company (i) by the Participant for Good Reason, or (ii) by the Company without Cause. For the avoidance of doubt, the term "Involuntary Termination" shall not include a termination of the Participant's employment by the Company for Cause or as a result of the Participant's death or Disability.

3. **Vesting of Phantom Shares**.

(a) Except as otherwise set forth in Section 3(b), the Phantom Shares shall vest in accordance with the vesting schedule set forth in the Grant Notice. In the event of the termination of the Participant's employment prior to the vesting of all of the Phantom Shares (but after giving effect to any accelerated vesting pursuant to this Section 3), any unvested Phantom Shares (and all rights arising from such Phantom Shares and from being a holder thereof) will terminate automatically without any further action by the Company and will be forfeited without further notice and at no cost to the Company.

(b) Notwithstanding anything in the Grant Notice, this Agreement or the Plan to the contrary and subject to the Participant's execution of a wavier and release of claims of the Company, its affiliates and related persons within the time frame provided by the Company and in the form provided by the Company:

(i) if the Participant's employment or other service relationship with the Company or its Affiliates is terminated by reason of the Participant's death or Disability, the Participant shall vest as to 100% of the Phantom Shares if, and only if, a Change of Control occurs following such termination and such Change of Control satisfies the vesting criteria provided in the Grant Notice (other than any criteria specified with respect to continued employment), with the vesting of such Phantom Shares to occur as of the date of consummation of such Change of Control; and

(ii) if the Participant's employment or other service relationship with the Company or its Affiliates is terminated by reason of the Participant's Involuntary Termination, the Participant shall vest as to 100% of the Phantom Shares if, and only if, a Change of Control occurs within 45 days of the date of the Participant's Involuntary Termination and such Change of Control satisfies the vesting criteria provided in the Grant Notice (other than any criteria specified with respect to continued employment), with the vesting of such Phantom Shares to occur as of the date of consummation of such Change of Control.

4. **Settlement of Phantom Shares**. As soon as administratively practicable following the vesting of Phantom Shares pursuant to Section 3, but in no event later than 30 days after such vesting date, the Company shall deliver to the Participant a number of shares of Common Stock equal to the number of Phantom Shares subject to this Award. All shares of Common Stock issued hereunder shall be delivered either by delivering one or more certificates for such shares to the Participant or by entering such shares in book-entry form, as determined by the Committee in its sole discretion. The value of shares of Common Stock shall not bear any interest owing to the passage of time. Neither this Section 4 nor any action taken pursuant to or in accordance with this Agreement shall be construed to create a trust or a funded or secured obligation of any kind.

5. **Dividend Equivalents**. Each Phantom Share subject to this Award is hereby granted in tandem with a corresponding dividend equivalent ("***DER***"), which DER shall remain outstanding from the Date of Grant until the earlier of the settlement or forfeiture of the Phantom Share to which the DER corresponds. Each vested DER entitles the Participant to receive payments, subject to and in accordance with this Agreement, in an amount equal to any dividends paid by the Company in respect of the share of Common Stock underlying the Phantom Share to which such DER relates. The Company shall establish, with respect to each Phantom Share, a separate DER bookkeeping account for such Phantom Share (a "***DER Account***"), which shall be credited (without interest) on the applicable dividend payment dates with an amount equal to any dividends paid during the period that such Phantom Share remains outstanding with respect to the share of Common Stock underlying the Phantom Share to which such DER relates. Upon the vesting of a Phantom Share, the DER (and the DER Account) with respect to such vested Phantom Share shall also become vested. Similarly, upon the forfeiture of a Phantom Share, the DER (and the DER Account) with respect to such forfeited Phantom Share shall also be forfeited. DERs shall not entitled the Participant to any payments relating to dividends paid after the earlier to occur of the applicable Phantom Share settlement date or the forfeiture of the Phantom Share underlying such DER. Payments with respect to vested DERs shall be made as soon as practicable, and within 60 days, after the date that such DER vests.

6. **Tax Withholding**. To the extent that the receipt, vesting or settlement of this Award results in compensation income or wages to the Participant for federal, state, local and/or foreign tax purposes, the Participant shall make arrangements satisfactory to the Company for the satisfaction of obligations for the payment of withholding taxes and other tax obligations relating to this Award, which arrangements include the delivery of cash or cash equivalents, Common Stock (including previously owned Common Stock, net settlement, a broker-assisted sale, or other cashless withholding or reduction of the shares of Common Stock otherwise issuable or delivered pursuant to this Award), other property, or any other legal consideration the Committee deems appropriate. If such tax obligations are satisfied through net settlement or the surrender of previously owned Common Stock, the maximum number of shares of Common Stock that may be so withheld (or surrendered) shall be the number of shares of Common Stock that have an aggregate Fair Market Value on the date of withholding or surrender equal to the aggregate amount of such tax liabilities determined based on the greatest withholding rates for federal, state, local and/or foreign tax purposes, including payroll taxes, that may be utilized without creating adverse accounting treatment for the Company with respect to this Award, as determined by the Committee. The Participant acknowledges that there may be adverse tax consequences upon the receipt, vesting or settlement of this Award or disposition of the underlying shares and that the Participant has been advised, and hereby is advised, to consult a tax advisor. The Participant represents that the Participant is in no manner relying on the Board, the Committee, the Company or any of its Affiliates or any of their respective managers, directors, officers, employees or authorized representatives (including, without limitation, attorneys, accountants, consultants, bankers, lenders, prospective lenders and financial representatives) for tax advice or an assessment of such tax consequences.

7. **FCPA**. The Participant shall perform all duties as an employee, consultant, or other service provider on behalf of the Company in strict compliance with the laws of the State of Texas and the United States of America in effect from time to time, including without limitation, the Foreign Corrupt Practices Act of 1977 and amendments thereto ("***FCPA***") and the export control and anti-boycott laws and regulations of the United States in effect from time to time while this Agreement is in effect. The Participant acknowledges having received and reviewed a copy of the Company's FCPA compliance policy and PowerPoint presentation concerning the terms and provisions of the FCPA in effect as of the date of this Agreement and the purposes of the FCPA. The Participant acknowledges that the FCPA in general makes it a crime under United States law for a U.S. firm such as the Company knowingly to make payments to a foreign governmental official, or political party or candidate, directly or indirectly, in order to receive or retain business. Accordingly, the Participant shall not make on behalf of the Company any payments, loans or gifts or promises or offers of payments, loans or gifts of any money or anything of value, directly or indirectly,

(a) to or for the use or benefit of any official or employee of any United States or foreign government or the agency or instrumentalities of any such government,

(b) to any political party or official or candidate thereof,

(c) to any other person if the Participant knows or has reason to suspect that any part of such payment, loan or gift will be directly or indirectly given or paid to any such governmental official or political party or candidate or official thereof, or

(d) to any other person or entity, the payment of which would violate either the laws or policies of United States any foreign country.

The Participant represents and warrants that on the date of this Agreement neither the Participant nor any family member living in the Participant's household is an official or employee of (i) any foreign government or an international organization covered by the FCPA or similar laws, or any department, agency, or instrumentality thereof, (ii) a political party in any foreign country or an official thereof, (iii) a candidate for political office in any foreign country, or (iv) a person acting in an official capacity for or on behalf of any foreign government or any international organization covered by the FCPA or similar laws, or any department, agency, or instrumentality thereof.

8. **Non-Transferability**. During the lifetime of the Participant, the Phantom Shares may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the shares of Common Stock underlying the Phantom Shares have been issued, and all restrictions applicable to such shares have lapsed. Neither the Phantom Shares nor any interest or right therein shall be liable for the debts, contracts or engagements of the Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means, whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

9. **Compliance with Applicable Law**. Notwithstanding any provision of this Agreement to the contrary, the issuance of shares of Common Stock hereunder will be subject to compliance with all applicable requirements of applicable law with respect to such securities and with the requirements of any stock exchange or market system upon which the Common Stock may then be listed. No shares of Common Stock will be issued hereunder if such issuance would constitute a violation of any applicable law or regulation or the requirements of any stock exchange or market system upon which the Common Stock may then be listed. In addition, shares of Common Stock will not be issued hereunder unless (a) a registration statement under the Securities Act of 1933, as amended, is in effect at the time of such issuance with respect to the shares to be issued or (b) in the opinion of legal counsel to the Company, the shares to be issued are permitted to be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act of 1933, as amended. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary for the lawful issuance and sale of any shares of Common Stock hereunder will relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority has not been obtained. As a condition to any issuance of Common Stock hereunder, the Company may require the Participant to satisfy any requirements that may be necessary or appropriate to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect to such compliance as may be requested by the Company.

10. **Legends**. If a stock certificate is issued with respect to shares of Common Stock issued hereunder, such certificate shall bear such legend or legends as the Committee deems appropriate in order to reflect the restrictions set forth in this Agreement and to ensure compliance with the terms and provisions of this Agreement, the rules, regulations and other requirements of the Securities and Exchange Commission, any applicable laws or the requirements of any stock exchange on which the Common Stock is then listed. If the shares of Common Stock issued hereunder are held in book-entry form, then such entry will reflect that the shares are subject to the restrictions set forth in this Agreement.

11. **<u>Rights as a Stockholder</u>**. The Participant shall have no rights as a stockholder of the Company with respect to any shares of Common Stock that may become deliverable hereunder unless and until the Participant has become the holder of record of such shares of Common Stock, except as otherwise specifically provided for in the Plan or this Agreement.

12. **<u>Execution of Receipts and Releases</u>**. Any issuance or transfer of shares of Common Stock or other property to the Participant or the Participant's legal representative, heir, legatee or distributee, in accordance with this Agreement shall be in full satisfaction of all claims of such person hereunder. As a condition precedent to such payment or issuance, the Company may require the Participant or the Participant's legal representative, heir, legatee or distributee to execute (and not revoke within any time provided to do so) a release and receipt therefor in such form as it shall determine appropriate; provided, however, that any review period under such release will not modify the date of settlement with respect to vested Phantom Shares.

13. **<u>No Right to Continued Employment, Service or Awards</u>**. Nothing in the adoption of the Plan, nor the award of the Phantom Shares thereunder pursuant to the Grant Notice and this Agreement, shall confer upon the Participant the right to continued employment by, or a continued service relationship with, the Company or any of its Affiliate, or any other entity, or affect in any way the right of the Company or any such Affiliate, or any other entity to terminate such employment or other service relationship at any time. The grant of the Phantom Shares is a one-time benefit and does not create any contractual or other right to receive a grant of Awards or benefits in lieu of Awards in the future. Any future Awards will be granted at the sole discretion of the Company.

14. **<u>Notices</u>**. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Participant at the address for the Participant indicated on the signature page to this Agreement (as such address may be updated by the Participant providing written notice to such effect to the Company). Any notice that is delivered personally or by overnight courier or telecopier in the manner provided herein shall be deemed to have been duly given to the Participant when it is mailed by the Company or, if such notice is not mailed to the Participant, upon receipt by the Participant. Any notice that is addressed and mailed in the manner herein provided shall be conclusively presumed to have been given to the party to whom it is addressed at the close of business, local time of the recipient, on the fourth day after the day it is so placed in the mail.

15. **<u>Consent to Electronic Delivery; Electronic Signature</u>**. In lieu of receiving documents in paper format, the Participant agrees, to the fullest extent permitted by law, to accept electronic delivery of any documents that the Company may be required to deliver (including, but not limited to, prospectuses, prospectus supplements, grant or award notifications and agreements, account statements, annual and quarterly reports and all other forms of communications) in connection with this and any other Award made or offered by the Company. Electronic delivery may be via a Company electronic mail system or by reference to a location on a Company intranet to which the Participant has access. The Participant hereby consents to any and all procedures the Company has established or may establish for an electronic signature system for delivery and acceptance of any such documents that the Company may be required to deliver, and agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his or her manual signature.

16. **Agreement to Furnish Information**. The Participant agrees to furnish to the Company all information requested by the Company to enable it to comply with any reporting or other requirement imposed upon the Company by or under any applicable statute or regulation.

17. **Entire Agreement; Amendment** . This Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to the Phantom Shares granted hereby; provided¸ however, that the terms of this Agreement shall not modify and shall be subject to the terms and conditions of any employment, consulting and/or severance agreement between the Company (or an Affiliate or other entity) and the Participant in effect as of the date a determination is to be made under this Agreement. Without limiting the scope of the preceding sentence, except as provided therein, all prior understandings and agreements, if any, among the parties hereto relating to the subject matter hereof are hereby null and void and of no further force and effect. The Committee may, in its sole discretion, amend this Agreement from time to time in any manner that is not inconsistent with the Plan; provided, however, that except as otherwise provided in the Plan or this Agreement, any such amendment that materially reduces the rights of the Participant shall be effective only if it is in writing and signed by both the Participant and an authorized officer of the Company.

18. **Severability; Waiver**. If a court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then the invalidity or unenforceability of such provision shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect. Waiver by any party of any breach of this Agreement or failure to exercise any right hereunder shall not be deemed to be a waiver of any other breach or right. The failure of any party to take action by reason of such breach or to exercise any such right shall not deprive the party of the right to take action at any time while or after such breach or condition giving rise to such rights continues.

19. **Clawback**. Notwithstanding any provision in the Grant Notice, this Agreement or the Plan to the contrary, to the extent required by (a) applicable law, including, without limitation, the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, any Securities and Exchange Commission rule or any applicable securities exchange listing standards and/or (b) any policy that may be adopted or amended by the Board from time to time, all shares of Common Stock issued hereunder shall be subject to forfeiture, repurchase, recoupment and/or cancellation to the extent necessary to comply with such law(s) and/or policy.

20. **Governing Law**. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED THEREIN, EXCLUSIVE OF THE CONFLICT OF LAWS PROVISIONS OF TEXAS LAW.

21. **Successors and Assigns.** The Company may assign any of its rights under this Agreement without the Participant’s consent. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein and in the Plan, this Agreement will be binding upon the Participant and the Participant’s beneficiaries, executors, administrators and the person(s) to whom the Phantom Shares may be transferred by will or the laws of descent or distribution.

22. **Headings**. The titles and headings of the various sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Agreement.

23. **Counterparts**. The Grant Notice may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. Delivery of an executed counterpart of the Grant Notice by facsimile or portable document format (.pdf) attachment to electronic mail shall be effective as delivery of a manually executed counterpart of the Grant Notice.

24. **Section 409A**. Notwithstanding anything herein or in the Plan to the contrary, the Phantom Shares granted pursuant to this Agreement are intended to be exempt from the applicable requirements of Section 409A of the Code, as amended from time to time, including the guidance and regulations promulgated thereunder and successor provisions, guidance and regulations thereto (the "***Nonqualified Deferred Compensation Rules***"), and shall be construed and interpreted in accordance with such intent. Nevertheless, to the extent that the Committee determines that the Phantom Shares may not be exempt from the Nonqualified Deferred Compensation Rules, then, if the Participant is deemed to be a "specified employee" within the meaning of the Nonqualified Deferred Compensation Rules, as determined by the Committee, at a time when the Participant becomes eligible for settlement of the Phantom Shares upon the Participant's "separation from service" within the meaning of the Nonqualified Deferred Compensation Rules, then to the extent necessary to prevent any accelerated or additional tax under the Nonqualified Deferred Compensation Rules, such settlement will be delayed until the earlier of: (a) the date that is six months following the Participant's separation from service and (b) the Participant's death. Notwithstanding the foregoing, the Company and its Affiliates make no representations that the Phantom Shares provided under this Agreement are exempt from or compliant with the Nonqualified Deferred Compensation Rules and in no event shall the Company or any Affiliate be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with the Nonqualified Deferred Compensation Rules.

ECO-STIM ENERGY SOLUTIONS, INC.
2015 STOCK INCENTIVE PLAN

PHANTOM STOCK AWARD GRANT NOTICE

Pursuant to the terms and conditions of the Eco-Stim Energy Solutions, Inc. 2015 Stock Incentive Plan, as amended from time to time (the "***Plan***"), Eco-Stim Energy Solutions, Inc. (the "***Company***") hereby grants to the individual listed below ("***you***" or the "***Participant***") the number of shares of phantom stock (the "***Phantom Shares***") set forth below. This award of Phantom Shares (this "***Award***") is subject to the terms and conditions set forth in this Phantom Stock Award Grant Notice (this "***Grant Notice***") and in the Phantom Stock Award Agreement attached hereto as Exhibit A (the "***Agreement***") and the Plan, each of which is incorporated herein by reference. Capitalized terms used but not defined herein shall have the meanings set forth in the Plan.

Participant:	[●]
Date of Grant:	[●], 2018
Total Number of Phantom Shares:	[●]
Vesting Schedule:	Subject to the Agreement, the Plan and the other terms and conditions set forth herein, so long as you remain continuously employed by the Company or its Affiliates, as applicable, from the Date of Grant through the date that a Qualifying Sale occurs, the Phantom Shares are eligible to vest in accordance with the following:

- 0% of the Phantom Shares shall vest if the aggregate consideration paid to the Company and/or its controlled subsidiaries pursuant to such Qualifying Sale is less than $[●] (as determined by the Board in its sole discretion);

- 50% of the Phantom Shares shall vest if (i) the aggregate consideration paid to the Company and/or its controlled subsidiaries pursuant to such Qualifying Sale is equal to or greater than $[●] but less than $[●] (as determined by the Board in its sole discretion), (ii) such Qualifying Sale results in net cash proceeds available for distribution to the Company of at least $[●] (as determined by the Board in its sole discretion), and (iii) such Qualifying Sale occurs on or before the first anniversary of the Date of Grant;

- 75% of the Phantom Shares shall vest if (i) the aggregate consideration paid to the Company and/or its controlled subsidiaries pursuant to such Qualifying Sale is equal to or greater than $[●] but less than $[●] (as determined by the Board in its sole discretion), (ii) such Qualifying Sale results in net cash proceeds available for distribution to the Company of at least $[●] (as determined by the Board in its sole discretion), and (iii) such Qualifying Sale occurs on or before the first anniversary of the Date of Grant; and

- 100% of the Phantom Shares shall vest if (i) the aggregate consideration paid to the Company and/or its controlled subsidiaries pursuant to such Qualifying Sale is equal to or greater than $[●] (as determined by the Board in its sole discretion), (ii) such Qualifying Sale results in net cash proceeds available for distribution to the Company of at least $[●] (as determined by the Board in its sole discretion), and (iii) such Qualifying Sale occurs on or before the first anniversary of the Date of Grant.

For the avoidance of doubt, if a Qualifying Sale occurs and the aggregate consideration paid to the Company and/or its controlled subsidiaries pursuant to such Qualifying Sale is less than $[●] (as determined by the Board in its sole discretion), all Phantom Shares (and all rights arising from such Phantom Shares and from being a holder thereof) will terminate automatically without any further action by the Company and will be forfeited without further notice and at no cost to the Company. For the further avoidance of doubt, if a Qualifying Sale occurs on or before the first anniversary of the Date of Grant and (i) the aggregate consideration paid to the Company and/or its controlled subsidiaries pursuant to such Qualifying Sale is equal to $[●] and (ii) such Qualifying Sale results in net cash proceeds available for distribution to the Company of at least $[●] (as determined by the Board in its sole discretion), then 75% of the Phantom Shares will vest while the remaining 25% of the Phantom Shares (and all rights arising from such Phantom Shares and from being a holder thereof) will terminate automatically without any further action by the Company and will be forfeited without further notice and at no cost to the Company.

Notwithstanding the schedule set forth above, the Phantom Shares granted hereunder shall also be eligible to become vested as set forth in Section 3(b) of the Agreement.

By your signature below, you represent, warrant and covenant to the Company that:

(a) You have received the Agreement and the Plan, read the terms of the Agreement and the Plan and have been given the opportunity to consult with counsel, ask questions of or request additional information from the Company.

(b) You agree to be bound by the terms and conditions of the Plan and the Agreement (including this Grant Notice).

(c) You agree to accept as binding, conclusive and final all decisions or interpretations of the Committee regarding any questions or determinations that arise under the Agreement (including this Grant Notice) or the Plan.

This Grant Notice may be executed in one or more counterparts (including portable document format (.pdf) and facsimile counterparts), each of which shall be deemed to be an original, but all of which together shall constitute one and the same agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Grant Notice to be executed by an officer thereunto duly authorized, and the Participant has executed this Grant Notice, effective for all purposes as provided above.

COMPANY

Eco-Stim Energy Solutions, Inc.

By: ______________________________
Name:
Its:

PARTICIPANT

____
Name:

SIGNATURE PAGE TO
PHANTOM STOCK AWARD GRANT NOTICE

<u>EXHIBIT A</u>

PHANTOM STOCK AWARD AGREEMENT

This Phantom Stock Award Agreement (together with the Grant Notice to which this Agreement is attached, this "***Agreement***") is made as of the Date of Grant set forth in the Grant Notice to which this Agreement is attached by and between Eco-Stim Energy Solutions, Inc., a Nevada corporation (the "***Company***"), and [●] (the "***Participant***"). Capitalized terms used but not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice.

1. **<u>Award</u>**. In consideration of the Participant's past and/or continued employment with, or service to, the Company or its Affiliates and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, effective as of the Date of Grant set forth in the Grant Notice (the "***Date of Grant***"), the Company hereby grants to the Participant the number of Phantom Shares set forth in the Grant Notice on the terms and conditions set forth in the Grant Notice, this Agreement and the Plan, which is incorporated herein by reference as a part of this Agreement. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control; provided, however, that this Agreement may impose greater restrictions or grant lesser rights than the Plan. To the extent vested, each Phantom Share represents the right to receive one share of Common Stock, subject to the terms and conditions set forth in the Grant Notice, this Agreement and the Plan. Unless and until the Phantom Shares have become vested in the manner set forth in the Grant Notice, the Participant will have no right to receive any Common Stock or other payments in respect of the Phantom Shares. Prior to settlement of this Award, the Phantom Shares and this Award represent an unsecured obligation of the Company, payable only from the general assets of the Company.

2. **<u>Definitions</u>**

(a) ***"Business"*** means the business and related operations conducted by Eco-Stim Argentina.

(b) ***"Cause"*** shall mean:

(i) the Participant's failure without proper legal reason to perform his or her duties and responsibilities to the Company or any Affiliate faithfully and to the best of his or her abilities;

(ii) the Participant engages in gross negligence, gross incompetence or willful misconduct in the performance of his or her duties with respect to the Company or any Affiliate

(iii) any act by the Participant involving fraud, misrepresentation, theft, embezzlement, or dishonesty on a material matter in connection with the Participant's employment with, or performance of the his or her duties for, the Company or any Affiliate;

(iv) conviction of the Participant, or a plea by the Participant of guilty or *nolo contendere* to, an offense that is a (A) felony (or a crime of similar import in a foreign jurisdiction) or (B) crime involving fraud, dishonesty or moral turpitude;

(v) material breach by the Participant, of the Participant's written employment agreement with the Company or any of its Affiliates, or corporate policy, or code of conduct established by the Company or any of its Affiliates; or

(vi) the Participant breaches Section 7 of this Agreement.

(c) "***Change of Control***" shall mean the occurrence of any of the following events:

(i) a merger of the Company with another entity, a consolidation involving the Company, or the sale of all or substantially all of the assets of the Company to another entity if, in any such case, the holders of equity securities of the Company immediately prior to such transaction or event do not beneficially own immediately after such transaction or event equity securities of the resulting entity entitled to 50% or more of the votes then eligible to be cast in the election of directors generally (or comparable governing body) of the resulting entity in substantially the same proportions that they owned the equity securities of the Company immediately prior to such transaction or event;

(ii) the dissolution or liquidation of the Company; or

(iii) the acquisition by any person or entity, including a "group" as contemplated by Section 13(d)(3) of the Exchange Act, of ownership or control (including, without limitation, power to vote) of more than 50% of the combined voting power of the outstanding securities of the Company.

For purposes of the preceding sentence, (1) "resulting entity" in the context of a transaction or event that is a merger, consolidation or sale of all or substantially all assets shall mean the surviving entity (or acquiring entity in the case of an asset sale) unless the surviving entity (or acquiring entity in the case of an asset sale) is a subsidiary of another entity and the holders of Common Stock of the Company receive capital stock of such other entity in such transaction or event, in which event the resulting entity shall be such other entity, and (2) subsequent to the consummation of a merger or consolidation that does not constitute a Change of Control, the term "Company" shall refer to the resulting entity and the term "Board" shall refer to the board of directors (or comparable governing body) of the resulting entity.

(d) ***"Disability"*** shall mean the inability of the Participant to perform the essential duties and services of the Participant's position (after accounting for reasonable accommodation, if applicable) by reason of any physical or mental impairment or other impairment that can be reasonably expected to result in death or to last for a continuous period of not less than three (3) months. The Participant shall be considered to have a Disability if (i) the Participant is determined to be totally disabled by the Social Security Administration or (ii) the Participant is determined to be disabled under the Company's long-term disability plan in which the Participant participates so long as such plan defines "disability" in a manner that is consistent with the immediately preceding sentence.

(e) ***"Eco-Stim Argentina"*** shall mean Eco-Stim Energy Solutions Argentina S.A.

(f) ***"Good Reason"*** shall mean the occurrence of any of the following without the Participant's express written consent:

(i) A material diminution in the Participant's annualized base salary;

(ii) A change in the location where the Participant is expected or required to perform the majority of the Participant's job duties at the time the Participant executes this Agreement ("***Base Location***") to a location that is more than twenty (20) miles from the Base Location, except for travel reasonably required of the Participant on the Company's business;

(iii) A substantial and adverse diminution in the Participant's duties, authority, responsibility and position with the Company; or

(iv) Any breach by the Company of any material provision of the Participant's written employment agreement.

The Participant's resignation for Good Reason shall be effective only if all of the following conditions are satisfied: (1) the Participant provides written notice to the Company of the fact, event, condition or circumstance set forth in clause (i), (ii), (iii) or (iv) above within thirty (30) days following the initial existence of such fact, event, condition or circumstance, (2) the fact, event, condition or circumstance specified in such notice must remain uncorrected for thirty (30) days following the Company's receipt of such written notice and (3) the date of the Participant's termination of employment must occur within sixty (60) days following the Company's receipt of such notice. If the Company timely cures the fact, event, condition or circumstance giving rise to Good Reason for the Participant's resignation, the notice of resignation for Good Reason shall become null and void.

(g) "***Involuntary Termination***" shall mean any termination of the Participant's employment with the Company (i) by the Participant for Good Reason, (ii) by the Company without Cause, or (iii) as a result of the Participant's death or Disability. For the avoidance of doubt, the term "Involuntary Termination" shall not include a termination of the Participant's employment by the Company for Cause.

(h) "***Qualifying Sale***" shall mean the occurrence of any of the following events: (i) a merger of Eco-Stim Argentina with another entity, (ii) a consolidation involving Eco-Stim Argentina (other than a consolidation that constitutes a Change of Control), or (iii) the sale of all or substantially all of the assets of the Business to another entity if, in any such case, the Company does not beneficially own immediately after such transaction or event at least a majority of the outstanding equity securities of the resulting entity. For purposes of the preceding sentence, (1) "resulting entity" in the context of a transaction or event that is a merger, consolidation or sale of all or substantially all assets shall mean the surviving entity (or acquiring entity in the case of an asset sale) unless the surviving entity (or acquiring entity in the case of an asset sale) is a subsidiary of another entity and the Company and/or its controlled subsidiaries receive capital stock of such other entity in such transaction or event, in which event the resulting entity shall be such other entity, and (2) for clarification and the avoidance of doubt, a Change of Control shall not constitute a Qualifying Sale.

3. **Vesting of Phantom Shares**.

(a) Except as otherwise set forth in Section 3(b), the Phantom Shares shall vest in accordance with the vesting schedule set forth in the Grant Notice. In the event of the termination of the Participant's employment prior to the vesting of all of the Phantom Shares (but after giving effect to any accelerated vesting pursuant to this Section 3), any unvested Phantom Shares (and all rights arising from such Phantom Shares and from being a holder thereof) will terminate automatically without any further action by the Company and will be forfeited without further notice and at no cost to the Company.

(b) Notwithstanding anything in the Grant Notice, this Agreement or the Plan to the contrary and subject to the Participant's execution of a wavier and release of claims of the Company, its affiliates and related persons within the time frame provided by the Company and in the form provided by the Company, if the Participant's employment or other service relationship with the Company or its Affiliates is terminated by reason of the Participant's Involuntary Termination, the Participant shall vest as to a number of the Phantom Shares if, and only if, a Qualifying Sale occurs within 45 days following the date of the Participant's Involuntary Termination, with (A) the number of Phantom Shares that vest to be determined based on the applicable vesting criteria in the Grant Notice with respect to such Qualifying Sale (other than any criteria specified with respect to continued employment), and (B) the vesting of any such Phantom Shares shall occur as of the date of consummation of such Qualifying Sale.

4. **Settlement of Phantom Shares**. As soon as administratively practicable following the vesting of Phantom Shares pursuant to Section 3, but in no event later than 30 days after such vesting date, the Company shall deliver to the Participant a number of shares of Common Stock equal to the number of Phantom Shares subject to this Award. All shares of Common Stock issued hereunder shall be delivered either by delivering one or more certificates for such shares to the Participant or by entering such shares in book-entry form, as determined by the Committee in its sole discretion. The value of shares of Common Stock shall not bear any interest owing to the passage of time. Neither this Section 4 nor any action taken pursuant to or in accordance with this Agreement shall be construed to create a trust or a funded or secured obligation of any kind.

5. **Dividend Equivalents**. Each Phantom Share subject to this Award is hereby granted in tandem with a corresponding dividend equivalent ("***DER***"), which DER shall remain outstanding from the Date of Grant until the earlier of the settlement or forfeiture of the Phantom Share to which the DER corresponds. Each vested DER entitles the Participant to receive payments, subject to and in accordance with this Agreement, in an amount equal to any dividends paid by the Company in respect of the share of Common Stock underlying the Phantom Share to which such DER relates. The Company shall establish, with respect to each Phantom Share, a separate DER bookkeeping account for such Phantom Share (a "***DER Account***"), which shall be credited (without interest) on the applicable dividend payment dates with an amount equal to any dividends paid during the period that such Phantom Share remains outstanding with respect to the share of Common Stock underlying the Phantom Share to which such DER relates. Upon the vesting of a Phantom Share, the DER (and the DER Account) with respect to such vested Phantom Share shall also become vested. Similarly, upon the forfeiture of a Phantom Share, the DER (and the DER Account) with respect to such forfeited Phantom Share shall also be forfeited. DERs shall not entitled the Participant to any payments relating to dividends paid after the earlier to occur of the applicable Phantom Share settlement date or the forfeiture of the Phantom Share underlying such DER. Payments with respect to vested DERs shall be made as soon as practicable, and within 60 days, after the date that such DER vests.

6. **Tax Withholding**. To the extent that the receipt, vesting or settlement of this Award results in compensation income or wages to the Participant for federal, state, local and/or foreign tax purposes, the Participant shall make arrangements satisfactory to the Company for the satisfaction of obligations for the payment of withholding taxes and other tax obligations relating to this Award, which arrangements include the delivery of cash or cash equivalents, Common Stock (including previously owned Common Stock, net settlement, a broker-assisted sale, or other cashless withholding or reduction of the shares of Common Stock otherwise issuable or delivered pursuant to this Award), other property, or any other legal consideration the Committee deems appropriate. If such tax obligations are satisfied through net settlement or the surrender of previously owned Common Stock, the maximum number of shares of Common Stock that may be so withheld (or surrendered) shall be the number of shares of Common Stock that have an aggregate Fair Market Value on the date of withholding or surrender equal to the aggregate amount of such tax liabilities determined based on the greatest withholding rates for federal, state, local and/or foreign tax purposes, including payroll taxes, that may be utilized without creating adverse accounting treatment for the Company with respect to this Award, as determined by the Committee. The Participant acknowledges that there may be adverse tax consequences upon the receipt, vesting or settlement of this Award or disposition of the underlying shares and that the Participant has been advised, and hereby is advised, to consult a tax advisor. The Participant represents that the Participant is in no manner relying on the Board, the Committee, the Company or any of its Affiliates or any of their respective managers, directors, officers, employees or authorized representatives (including, without limitation, attorneys, accountants, consultants, bankers, lenders, prospective lenders and financial representatives) for tax advice or an assessment of such tax consequences.

7. **FCPA**. The Participant shall perform all duties as an employee, consultant, or other service provider on behalf of the Company in strict compliance with the laws of the State of Texas and the United States of America in effect from time to time, including without limitation, the Foreign Corrupt Practices Act of 1977 and amendments thereto ("***FCPA***") and the export control and anti-boycott laws and regulations of the United States in effect from time to time while this Agreement is in effect. The Participant acknowledges having received and reviewed a copy of the Company's FCPA compliance policy and PowerPoint presentation concerning the terms and provisions of the FCPA in effect as of the date of this Agreement and the purposes of the FCPA. The Participant acknowledges that the FCPA in general makes it a crime under United States law for a U.S. firm such as the Company knowingly to make payments to a foreign governmental official, or political party or candidate, directly or indirectly, in order to receive or retain business. Accordingly, the Participant shall not make on behalf of the Company any payments, loans or gifts or promises or offers of payments, loans or gifts of any money or anything of value, directly or indirectly,

(a) to or for the use or benefit of any official or employee of any United States or foreign government or the agency or instrumentalities of any such government,

(b) to any political party or official or candidate thereof,

(c) to any other person if the Participant knows or has reason to suspect that any part of such payment, loan or gift will be directly or indirectly given or paid to any such governmental official or political party or candidate or official thereof, or

(d) to any other person or entity, the payment of which would violate either the laws or policies of United States any foreign country.

The Participant represents and warrants that on the date of this Agreement neither the Participant nor any family member living in the Participant's household is an official or employee of (i) any foreign government or an international organization covered by the FCPA or similar laws, or any department, agency, or instrumentality thereof, (ii) a political party in any foreign country or an official thereof, (iii) a candidate for political office in any foreign country, or (iv) a person acting in an official capacity for or on behalf of any foreign government or any international organization covered by the FCPA or similar laws, or any department, agency, or instrumentality thereof.

8. **Non-Transferability**. During the lifetime of the Participant, the Phantom Shares may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the shares of Common Stock underlying the Phantom Shares have been issued, and all restrictions applicable to such shares have lapsed. Neither the Phantom Shares nor any interest or right therein shall be liable for the debts, contracts or engagements of the Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means, whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

9. **Compliance with Applicable Law**. Notwithstanding any provision of this Agreement to the contrary, the issuance of shares of Common Stock hereunder will be subject to compliance with all applicable requirements of applicable law with respect to such securities and with the requirements of any stock exchange or market system upon which the Common Stock may then be listed. No shares of Common Stock will be issued hereunder if such issuance would constitute a violation of any applicable law or regulation or the requirements of any stock exchange or market system upon which the Common Stock may then be listed. In addition, shares of Common Stock will not be issued hereunder unless (a) a registration statement under the Securities Act of 1933, as amended, is in effect at the time of such issuance with respect to the shares to be issued or (b) in the opinion of legal counsel to the Company, the shares to be issued are permitted to be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act of 1933, as amended. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary for the lawful issuance and sale of any shares of Common Stock hereunder will relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority has not been obtained. As a condition to any issuance of Common Stock hereunder, the Company may require the Participant to satisfy any requirements that may be necessary or appropriate to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect to such compliance as may be requested by the Company.

10. **Legends**. If a stock certificate is issued with respect to shares of Common Stock issued hereunder, such certificate shall bear such legend or legends as the Committee deems appropriate in order to reflect the restrictions set forth in this Agreement and to ensure compliance with the terms and provisions of this Agreement, the rules, regulations and other requirements of the Securities and Exchange Commission, any applicable laws or the requirements of any stock exchange on which the Common Stock is then listed. If the shares of Common Stock issued hereunder are held in book-entry form, then such entry will reflect that the shares are subject to the restrictions set forth in this Agreement.

11. **Rights as a Stockholder**. The Participant shall have no rights as a stockholder of the Company with respect to any shares of Common Stock that may become deliverable hereunder unless and until the Participant has become the holder of record of such shares of Common Stock, except as otherwise specifically provided for in the Plan or this Agreement.

12. **Execution of Receipts and Releases**. Any issuance or transfer of shares of Common Stock or other property to the Participant or the Participant's legal representative, heir, legatee or distributee, in accordance with this Agreement shall be in full satisfaction of all claims of such person hereunder. As a condition precedent to such payment or issuance, the Company may require the Participant or the Participant's legal representative, heir, legatee or distributee to execute (and not revoke within any time provided to do so) a release and receipt therefor in such form as it shall determine appropriate; provided, however, that any review period under such release will not modify the date of settlement with respect to vested Phantom Shares.

13. **No Right to Continued Employment, Service or Awards**. Nothing in the adoption of the Plan, nor the award of the Phantom Shares thereunder pursuant to the Grant Notice and this Agreement, shall confer upon the Participant the right to continued employment by, or a continued service relationship with, the Company or any of its Affiliate, or any other entity, or affect in any way the right of the Company or any such Affiliate, or any other entity to terminate such employment or other service relationship at any time. The grant of the Phantom Shares is a one-time benefit and does not create any contractual or other right to receive a grant of Awards or benefits in lieu of Awards in the future. Any future Awards will be granted at the sole discretion of the Company.

14. **Notices**. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Participant at the address for the Participant indicated on the signature page to this Agreement (as such address may be updated by the Participant providing written notice to such effect to the Company). Any notice that is delivered personally or by overnight courier or telecopier in the manner provided herein shall be deemed to have been duly given to the Participant when it is mailed by the Company or, if such notice is not mailed to the Participant, upon receipt by the Participant. Any notice that is addressed and mailed in the manner herein provided shall be conclusively presumed to have been given to the party to whom it is addressed at the close of business, local time of the recipient, on the fourth day after the day it is so placed in the mail.

15. **Consent to Electronic Delivery; Electronic Signature**. In lieu of receiving documents in paper format, the Participant agrees, to the fullest extent permitted by law, to accept electronic delivery of any documents that the Company may be required to deliver (including, but not limited to, prospectuses, prospectus supplements, grant or award notifications and agreements, account statements, annual and quarterly reports and all other forms of communications) in connection with this and any other Award made or offered by the Company. Electronic delivery may be via a Company electronic mail system or by reference to a location on a Company intranet to which the Participant has access. The Participant hereby consents to any and all procedures the Company has established or may establish for an electronic signature system for delivery and acceptance of any such documents that the Company may be required to deliver, and agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his or her manual signature.

16. **Agreement to Furnish Information**. The Participant agrees to furnish to the Company all information requested by the Company to enable it to comply with any reporting or other requirement imposed upon the Company by or under any applicable statute or regulation.

17. **Entire Agreement; Amendment**. This Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to the Phantom Shares granted hereby; provided, however, that the terms of this Agreement shall not modify and shall be subject to the terms and conditions of any employment, consulting and/or severance agreement between the Company (or an Affiliate or other entity) and the Participant in effect as of the date a determination is to be made under this Agreement. Without limiting the scope of the preceding sentence, except as provided therein, all prior understandings and agreements, if any, among the parties hereto relating to the subject matter hereof are hereby null and void and of no further force and effect. The Committee may, in its sole discretion, amend this Agreement from time to time in any manner that is not inconsistent with the Plan; provided, however, that except as otherwise provided in the Plan or this Agreement, any such amendment that materially reduces the rights of the Participant shall be effective only if it is in writing and signed by both the Participant and an authorized officer of the Company.

18. **Severability; Waiver**. If a court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then the invalidity or unenforceability of such provision shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect. Waiver by any party of any breach of this Agreement or failure to exercise any right hereunder shall not be deemed to be a waiver of any other breach or right. The failure of any party to take action by reason of such breach or to exercise any such right shall not deprive the party of the right to take action at any time while or after such breach or condition giving rise to such rights continues.

19. **Clawback.** Notwithstanding any provision in the Grant Notice, this Agreement or the Plan to the contrary, to the extent required by (a) applicable law, including, without limitation, the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, any Securities and Exchange Commission rule or any applicable securities exchange listing standards and/or (b) any policy that may be adopted or amended by the Board from time to time, all shares of Common Stock issued hereunder shall be subject to forfeiture, repurchase, recoupment and/or cancellation to the extent necessary to comply with such law(s) and/or policy.

20. **Governing Law**. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED THEREIN, EXCLUSIVE OF THE CONFLICT OF LAWS PROVISIONS OF TEXAS LAW.

21. **Successors and Assigns.** The Company may assign any of its rights under this Agreement without the Participant's consent. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein and in the Plan, this Agreement will be binding upon the Participant and the Participant's beneficiaries, executors, administrators and the person(s) to whom the Phantom Shares may be transferred by will or the laws of descent or distribution.

22. **Headings**. The titles and headings of the various sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Agreement.

23. **Counterparts**. The Grant Notice may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. Delivery of an executed counterpart of the Grant Notice by facsimile or portable document format (.pdf) attachment to electronic mail shall be effective as delivery of a manually executed counterpart of the Grant Notice.

24. **Section 409A**. Notwithstanding anything herein or in the Plan to the contrary, the Phantom Shares granted pursuant to this Agreement are intended to be exempt from the applicable requirements of Section 409A of the Code, as amended from time to time, including the guidance and regulations promulgated thereunder and successor provisions, guidance and regulations thereto (the "***Nonqualified Deferred Compensation Rules***"), and shall be construed and interpreted in accordance with such intent. Nevertheless, to the extent that the Committee determines that the Phantom Shares may not be exempt from the Nonqualified Deferred Compensation Rules, then, if the Participant is deemed to be a "specified employee" within the meaning of the Nonqualified Deferred Compensation Rules, as determined by the Committee, at a time when the Participant becomes eligible for settlement of the Phantom Shares upon the Participant's "separation from service" within the meaning of the Nonqualified Deferred Compensation Rules, then to the extent necessary to prevent any accelerated or additional tax under the Nonqualified Deferred Compensation Rules, such settlement will be delayed until the earlier of: (a) the date that is six months following the Participant's separation from service and (b) the Participant's death. Notwithstanding the foregoing, the Company and its Affiliates make no representations that the Phantom Shares provided under this Agreement are exempt from or compliant with the Nonqualified Deferred Compensation Rules and in no event shall the Company or any Affiliate be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with the Nonqualified Deferred Compensation Rules.

October 30, 2018

Mr. Alexander Nickolatos

Re: Performance Award

Dear Alexander:

This letter is to inform you that Eco-Stim Energy Solutions, Inc., a Nevada corporation (the "Company"), is providing you with the opportunity to earn a one-time cash performance award (the "Award"). This letter sets forth the amount of the Award and the terms and conditions upon which you will be eligible to receive the Award.

The total maximum amount of the Award is $200,000, less applicable taxes, deductions and withholdings, which amount will be payable upon the achievement of such Company performance goals as shall be determined by the compensation committee of the Company's board of directors (the "Compensation Committee") in its sole discretion, with any payment thereof subject to the prior approval of the Compensation Committee in its sole discretion.

In addition, you shall only be eligible to receive the Award if: (1) you have not terminated your employment with the Company or any of its affiliates on or before the end of the applicable performance period for the Award, as shall be established by the Compensation Committee in its sole discretion (the "Performance Period"), other than for Good Reason (as hereinafter defined) or due to your death or Disability (as hereinafter defined); and (2) your employment with the Company or any of its affiliates has not been terminated by the Company for Cause (as hereinafter defined) on or before the end of the Performance Period.

For purposes of this letter, the terms "Cause," "Disability" and "Good Reason" shall have the meanings as defined in your Employment Agreement, dated April 1, 2017, between you and the Company.

This letter shall be construed and interpreted in accordance with the laws of the State of Texas (without regard to the conflicts of laws principles thereof) and applicable federal law. Further, this letter may be executed in multiple counterparts (including ..pdf) and may be amended only by a written instrument executed by you and the Company.

Please review this letter carefully and, if you agree with all the terms and conditions as specified above, please sign and date the letter in the space below and return the signed letter to Chris Arntzen, at Eco-Stim Energy Solutions, Inc., 2930 West Sam Houston Pkwy North, Suite 275, Houston, TX 77043, so that it is received no later than November 2, 2018.

Very truly yours,

ECO-STIM ENERGY SOLUTIONS, INC.

By: */s/ Christopher J. Arntzen*
Name: Christopher J. Arntzen
Title: Vice President, General Counsel and Secretary

AGREED TO AND ACCEPTED
this 30th_ day of October__ 2018:

/s/ Alexander Nickolatos
Alexander Nickolatos

ENERGY SOLUTIONS

October 30, 2018

Mr. Carlos A. Fernandez

Re: Performance Award

Dear Carlos:

This letter is to inform you that Eco-Stim Energy Solutions, Inc., a Nevada corporation (the "Company"), is providing you with the opportunity to earn a one-time cash performance award (the "Award"). This letter sets forth the amount of the Award and the terms and conditions upon which you will be eligible to receive the Award.

The total maximum amount of the Award is $100,000, less applicable taxes, deductions and withholdings, which amount will be payable upon the achievement of such Company performance goals as shall be determined by the compensation committee of the Company's board of directors (the "Compensation Committee") in its sole discretion, with any payment thereof subject to the prior approval of the Compensation Committee in its sole discretion.

In addition, you shall only be eligible to receive the Award if: (1) you have not terminated your employment with the Company or any of its affiliates on or before the end of the applicable performance period for the Award, as shall be established by the Compensation Committee in its sole discretion (the "Performance Period"), other than for Good Reason (as hereinafter defined) or due to your death or Disability (as hereinafter defined); and (2) your employment with the Company or any of its affiliates has not been terminated by the Company for Cause (as hereinafter defined) on or before the end of the Performance Period.

For purposes of this letter, the terms "Cause," "Disability" and "Good Reason" shall have the meanings as defined in your Employment Agreement, dated April 1, 2017, between you and the Company.

This letter shall be construed and interpreted in accordance with the laws of the State of Texas (without regard to the conflicts of laws principles thereof) and applicable federal law. Further, this letter may be executed in multiple counterparts (including ..pdf) and may be amended only by a written instrument executed by you and the Company.

Please review this letter carefully and, if you agree with all the terms and conditions as specified above, please sign and date the letter in the space below and return the signed letter to Alexander Nickolatos, at Eco-Stim Energy Solutions, Inc., 2930 West Sam Houston Pkwy North, Suite 275, Houston, TX 77043, so that it is received no later than November 2, 2018.

Very truly yours,

ECO-STIM ENERGY SOLUTIONS, INC.

By: */s/ Alexander Nickolatos*
Name: Alexander Nickolatos
Title: Interim President and Chief Executive Officer, and Chief Financial Officer

AGREED TO AND ACCEPTED

this 30th day of October 2018:

/s/ Carlos A. Fernandez
Carlos A. Fernandez

SEPARATION AND GENERAL RELEASE AGREEMENT

THIS SEPARATION AND GENERAL RELEASE AGREEMENT (the "Agreement") is made as of this 28th day of September 2018, by ECO-STIM ENERGY SOLUTIONS, INC., a Nevada corporation (the "Company"), and J. CHRISTOPHER BOSWELL (the "Executive").

WHEREAS, the Executive serves as the President and Chief Executive Officer of the Company pursuant to that certain Employment Agreement, effective as of April 1, 2017, by and between the Company and the Executive (the "Employment Agreement"), and as a member of the Company's Board of Directors (the "Board"); and

WHEREAS, the Company and the Executive have mutually agreed to terminate the Executive's employment relationship under the terms and conditions set forth exclusively in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises, representations and warranties set forth herein, and for other good and valuable consideration, the Executive and the Company agree as follows:

1. Cessation of Employment Relationship.

(a) The Executive's employment with the Company and its affiliates will cease, and the Executive will cease to serve as the President and Chief Executive Officer of the Company, effective as of the close of business on September 28, 2018 (the "Termination Date"). Up through and including the Termination Date, the Executive shall continue to receive the compensation and benefits set forth in the Employment Agreement. The Termination Date will be the termination date of the Executive's employment for purposes of active participation in and coverage under all employee benefit plans and programs sponsored by or through the Company. Terms used but not defined herein shall have the meaning ascribed to such terms in the Employment Agreement.

(b) Effective as of the Termination Date, the Executive hereby resigns from all positions he then holds as an employee, officer or other service provider to the Company and any of its subsidiaries and affiliates, including, without limitation, resignation from the Board, and as President and Chief Executive Officer of the Company, as well as from any positions, officer- and directorships on the Company's and its subsidiaries' and affiliates' foundations, benefit plans and programs. From and after the date of this Agreement, the Executive shall take any action that the Company or any of its subsidiaries or affiliates may reasonably request in order to confirm or evidence such resignation. The Executive shall not hold himself out as a representative of the Company or any of its subsidiaries or affiliates, or use any powers relative to the Company or any of its subsidiaries or affiliates; all such powers shall terminate on the Termination Date.

2. Final Pay/Other Obligations.

(a) In connection with the termination of the Executive's employment with the Company, the Company shall pay or provide to the Executive (1) any earned but unpaid Base Salary as of the Termination Date, (2) any vested or accrued benefits under any other plan, program, policy, practice, contract or agreement of the Company in accordance with their terms including but not limited to the unpaid portion of the 2017 incentive bonus award approved by the Company's compensation committee ($91,875 as of September 28, 2018) (the "2017 Remaining Bonus Amount"), and (3) expenses incurred but not yet reimbursed as of the Termination Date (collectively, the "Accrued Benefits"), which amounts (other than the 2017 Remaining Bonus Amount) shall be payable in a single lump sum within thirty (30) days (or any shorter period prescribed by law) following the Termination Date. The 2017 Remaining Bonus Amount shall be payable in equal installments in accordance with the Company's normal payroll practices over a period of four (4) months, commencing on the Company's first regularly scheduled payroll date following the expiration of the revocation period set forth in Section 2(d) below. Except as expressly set forth in this Agreement, all unvested benefits shall terminate or forfeit as of the Termination Date in accordance with the terms of the applicable plan or program. For avoidance of doubt, the Executive shall not be eligible for an annual bonus with respect to calendar year 2018, whether pursuant to Section 3(b) of the Employment Agreement or otherwise.

(b) Subject to the Executive's continued compliance with this Agreement and the Continuing Obligations (as defined in Section 3 hereof), and subject to Section 9 below, (i) the Company shall pay or provide to the Executive an amount equal to $262,500, payable in equal installments in accordance with the Company's normal payroll practices over a period of twelve (12) months, commencing on the Company's first regularly scheduled payroll date following the expiration of the revocation period set forth in Section 2(d) below (the "Cash Consideration"), (ii) subject to the Executive timely electing medical benefit continuation pursuant to the COBRA, payment (or reimbursement of) the cost of medical benefit continuation (on the same basis and at the same cost as such benefits are currently provided to executives of the Company) for the Executive and any covered dependents for up to twelve (12) months or until the Executive and/or his covered dependents are eligible for another company's group health insurance, whichever is sooner; and provided, further, that if the Company determines in good faith that its payment of such cost will result in the imposition of excise taxes or penalties on the Company and/or the insurance carrier with respect to such medical benefits, then the Company shall not pay (or reimburse) such cost and the Company shall provide an economically equivalent benefit or payment, to the extent that such benefit or payment is consistent with applicable law and will not result in the imposition of such excise taxes or penalties (the "COBRA Assistance"), and (iii) (A) any and all outstanding unvested stock options, or other equity or equity-based incentives with time-based vesting terms, held by the Executive shall vest, effective as of the Termination Date (but 200,000 "Phantom Shares" held by Executive that are subject to vesting only on a "Change of Control" shall not vest, and shall therefore be forfeited as of the Termination Date), and (B) Executive shall be entitled to exercise rights with respect to all vested stock options held by Executive as if Executive's termination of employment contemplated hereunder was an "Involuntary Termination" as such term is used in the applicable award agreement for such stock options (the "Accelerated Vesting" or, collectively with the payments and benefits set forth in clauses (i)-(iii), the "Severance Benefits"). The Executive covenants and agrees that if he becomes eligible for coverage under another company's group health insurance while receiving the COBRA Assistance, he shall provide written notice to the Company within ten (10) business days of such eligibility. In the event the Company determines that the Executive has breached this Agreement or the Continuing Obligations in any respect, then, in addition to any of the Company's other rights and remedies at law or in equity, the Company shall have the right to cease providing the Severance Benefits and promptly upon demand from the Company, the Executive shall return any Severance Benefits previously received (including, without limitation, forfeiture of any stock options or other equity or equity-based incentives held by the Executive that vested pursuant to the Accelerated Vesting), without payment of consideration therefor; the return (or forfeiture, as applicable) of such previously paid Severance Benefits shall not be deemed an election of remedies precluding the further exercise of remedies. Notwithstanding the foregoing, the Company's aggregate payment obligation with respect to the Cash Consideration shall be limited to $10,000 (and all Cash Consideration in excess of $10,000 and all other Severance Benefits shall become null and void) if the waiver contemplated in Section 2(c) below with respect to ADEA Claims (as defined below) does not become effective on the eighth (8th) day after the date of this Agreement, and such $10,000 shall be payable, subject to applicable withholding taxes, within sixty (60) days after the date of this Agreement.

(c) *Release.* In consideration for the Severance Benefits, the Executive, for himself, his spouse, heirs, administrators, children, representatives, executors, successors, assigns, and all other individuals and entities claiming through the Executive, if any (collectively, the "Executive Releasers"), does hereby release, waive, and forever discharge the Company, Fir Tree Partners Inc., Fir Tree Inc., Fir Tree Capital Management LP, Fir Tree Capital Opportunity Master Fund, LP, Fir Tree Capital Opportunity Master Fund III, LP, FT SOF IV Holdings, LLC, FT SOF VIII Holdings, LLC, each of their respective subsidiaries and affiliates, and each of their respective investment managers, investment advisors, general and limited partners, and the respective agents, subsidiaries, parents, affiliates, related organizations, employees, officers, directors, members, attorneys, successors, predecessors, and assigns of the foregoing (individually and in their official capacities) (collectively, the "Company Releasees") and fully waives any obligations of the Company Releasees to the Executive Releasers for any and all liability, actions, charges, causes of action, demands, damages, or claims for relief, remuneration, sums of money, accounts or expenses (including attorneys' fees and costs) of any kind whatsoever, whether known or unknown or contingent or absolute, which heretofore has been or which hereafter may be suffered or sustained, directly or indirectly, by Executive Releasers in consequence of, arising out of, or in any way relating to: (a) the Executive's employment with the Company; (b) the termination of the Executive's employment with the Company; (c) the Employment Agreement; (d) salary, bonuses, commissions, equity or equity-based interests or other ownership interests in the Company; or (e) any events occurring on or prior to the date of this Agreement, except as expressly set forth herein. The foregoing release and discharge, waiver and the following covenant not to sue includes, but is not limited to, all waivable claims and obligations or causes of action arising from such claims, under common law, including wrongful or retaliatory discharge, breach of contract, express or implied, (other than claims for unpaid Severance Benefits pursuant to Section 2(a) of this Agreement), including any claim for breach of any implied covenant of good faith and fair dealing, constructive discharge, discrimination, harassment, fraud, physical or personal injury, and any claims or actions arising in tort including libel, slander, defamation or infliction of emotional distress, and claims under any federal, state or local statute including without limitation the Age Discrimination in Employment Act ("ADEA"), the Older Workers Benefit Protection Act ("OWBPA"), Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1866 and 1871 (42 U.S.C. § 1981), the National Labor Relations Act, the Fair Labor Standards Act, the Employee Retirement Income Security Act of 1974, as amended, the Americans with Disabilities Act of 1990, the Rehabilitation Act of 1973, the Family and Medical Leave Act, the Occupational Safety and Health Act, Chapters 21 and 451 of the Texas Labor Code, the Texas Occupational Health and Safety Law, the Texas Juror Protection Law, the Texas Military Discrimination and Leave Law, and the Texas Hazard Communication Act, any other wage payment and collection, equal pay or other similar laws, acts and statutes of the State of Texas, and any and all other discrimination or employment laws of any federal, state, or local government and/or any claims under any express or implied contract which Executive Releasers may claim ever existed with Company Releasees. Each Company Releasee shall be an express, intended third-party beneficiary of this Agreement.

Excluded from this general release of claims in this Section 2(c) are: (i) any claims which cannot be waived by applicable law, including but not limited to the right to participate in an investigation conducted by certain government agencies, claims for workers' compensation benefits, and claims for unemployment insurance; (ii) any right to indemnification pursuant to Section 10 of the Employment Agreement; (iii) claims to vested benefits under any employee benefit plan within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended; (iv) the right to receive the Severance Benefits; (v) the right to continuation of group insurance coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act, or (vi) any rights or claims that are based on events occurring after the date on which the Executive signs this Agreement.

(d) *Time to Consider and Revoke Release*. This Agreement shall be effective as of the date of the Executive's execution of this Agreement, subject to the Executive's revocation rights with respect to ADEA Claims only, as set forth below. In accordance with the OWBPA and ADEA, the Executive understands and acknowledges that the Executive has been given at least twenty-one (21) days to consider and execute this Agreement, and in the event the Executive executes this Agreement before expiration of such twenty-one (21)-day period, Executive agrees that he is waiving the remainder of such period. The Executive has seven (7) days after he signs this Agreement to revoke it (the "Revocation Period") with respect to claims of any kind under the ADEA and OWBPA only (together, " ADEA Claims"). In the event that the Executive fails to return to the Company within twenty-one (21) days after presentation for consideration, in the manner set forth in Section 18 below, an executed copy of this Agreement, this Agreement shall not become effective and shall be null and void and the Executive shall not be entitled to receive the Severance Benefits. In the event the Executive revokes this Agreement by delivering a written revocation of this Agreement to the Company in the manner set forth in Section 18 below within the Revocation Period, this Agreement shall remain in effect for all purposes other than with respect to ADEA Claims, except that the total value of any Cash Consideration the Executive may receive shall be limited to an aggregate amount of $10,000, and the Executive shall not receive any other Severance Benefits.

(e) *No Other Compensation or Benefits.* The Executive acknowledges and agrees that, except as expressly provided in this Agreement or as otherwise required by applicable law, the Executive will not receive any additional compensation, severance or other benefits of any kind as an employee of the Company or any of its affiliates following the Termination Date (including, without limitation, wages, salary, bonuses, commission, vacation pay, perquisites, benefits or any other payments, equity or interests under any other prior agreement (whether written or unwritten) between the Company or any of its subsidiaries or affiliates and the Executive (including, without limitation, the Employment Agreement)).

(f) *Mitigation*. The Executive shall notify the Company in writing within ten (10) days after becoming employed on or prior to the first anniversary of this Agreement, which notice shall identify by name the employer. Immediately upon the occurrence of such employment or service, the remaining Cash Consideration shall be reduced, on a monthly basis, by any compensation received from such employer (taking into account any bonus or other non-hourly/salary payments to Executive within the first year of such employment). The reduction in Cash Consideration shall not terminate, diminish or otherwise affect the other provisions of this Agreement which are for the benefit of the Company Releasees, including without limitation the covenants, releases and rights contained herein.

3. Restrictive Covenants; Survival.

(a) The Executive hereby (i) reaffirms the rights and obligations set forth in Section 7 (Non-Competition, Non-Solicitation, and Confidentiality) of the Employment Agreement (collectively with the Executive's obligations pursuant to Section 3(b) hereof, the "Continuing Obligations"); however, should the Company cease to conduct business in either it's U.S. market or its Argentina market, as applicable, the Non-Competition obligation described in Section 7 shall be waived by the Company with respect to the market in which the Company has ceased to conduct business upon the Company's cessation of business in such market, and (ii) understands, acknowledges and agrees that the Continuing Obligations (as amended herein) will survive the termination of Executive's employment with the Company and remain in full force and effect (except as referenced above) in accordance with all of the terms and conditions hereof and thereof.

(b) Without limitation of Section 3(a) hereof, from and after the date of this Agreement, the Executive hereby agrees not to make negative comments about or otherwise disparage any of the Company Releasees or any of their products or services, in any medium to any person without limitation in time. The foregoing shall not be violated by truthful statements in response to legal process, required governmental testimony filings, or administrative or arbitral proceedings (including, without limitation, depositions in connection with such proceedings).

(c) 18 U.S.C. § 1833(b) provides: "An individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that—(a) is made—(i) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney; and (ii) solely of the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal." Nothing in this Agreement or the Continuing Obligations is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b). Accordingly, the Executive has the right to disclose in confidence trade secrets to federal, state and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. The Executive also has the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure. In addition, the Executive understands that nothing in this Agreement or the Continuing Obligations limits his ability to file a chart or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local government agency or commission ("Government Agencies"). The Executive further understands that neither this Agreement nor the Continuing Obligations limits his ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. Neither this Agreement nor the Continuing Obligations limits his right to receive an award for information provided to any Government Agencies.

(d) Additional Acknowledgments. The Executive acknowledges that the restrictions contained in this Section 3 do not preclude the Executive from earning a livelihood, nor do they unreasonably impose limitations on his ability to earn a living. The Executive acknowledges and agrees that the potential harm to the Company of the non-enforcement of this Section 3 outweighs any potential harm to him of its enforcement by injunction or otherwise. The Executive acknowledges that he has carefully read this Agreement and has given careful consideration to the restraints imposed upon him by this Agreement and are in full accord as to their necessity for the reasonable and proper protection of the Company's Confidential Information now existing or to be developed in the future.

4. Return of Company Property. On the Termination Date, the Executive agrees to return to the Company all Company and subsidiary documents (and all copies thereof) and other Company property that the Executive has or has had in his possession at any time, including, without limitation, Company and subsidiary files, notes, drawings, records, business plans and forecasts, financial information, specifications, computer-recorded information, tangible property (including, but not limited to, computers), credit cards, entry cards, parking passes, identification badges and keys, and any materials of any kind that contain or embody any proprietary, Confidential Information, and all reproductions thereof.

5. Cooperation. The Executive agrees that following the Executive's execution of this Agreement, at the Company's request, the Executive shall provide reasonable assistance and advise the Company in any investigation which may be performed by the Company or any governmental agency and any litigation in which the Company may become involved. Such assistance shall include the Executive making himself reasonably available for interviews by the Company or its counsel, deposition and/or court appearances at the Company's request.

6. Reformation; Enforcement. If, at the time of enforcement of Section 3 hereof, a court of competent jurisdiction in any state determines that any restriction in Section 3 hereof is excessive in duration or scope, or is unreasonable or unenforceable under applicable law, it is the intention of the parties hereto that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the laws of such state; provided, that this Agreement shall remain enforceable in accordance with its terms in each and every other jurisdiction in which it is applicable. The Executive acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 3 hereof would be inadequate and, in recognition of this fact, the Executive agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond or other security or having to prove actual damages, will be entitled to obtain equitable relief in the form of specific performance, a temporary restraining order, a temporary or permanent injunction or any other equitable remedy which may then be available, without the necessity of showing actual monetary damages.

7. Governing Law. This Agreement, the rights and obligations of the parties hereto, and any claims or disputes relating thereto, shall be governed by and construed in accordance with the laws of the State of Texas (but not including any choice of law rule thereof that would cause the laws of another jurisdiction to apply). The Company and the Executive irrevocably consent to the non-exclusive jurisdiction of the federal and state courts in Harris County, Texas for the resolution of any disputes arising under or with respect to this Agreement, and each of the Company and the Executive agrees to waive and does hereby waive any defenses and/or arguments based upon improper venue and/or lack of personal jurisdiction. **The Executive and the Company hereby waive their respective rights to trial by jury in any action concerning this Agreement or the Continuing Obligations any and all matters arising directly or indirectly out of this Agreement or the Continuing Obligations. Notwithstanding anything herein to the contrary, a Company Releasee may seek to enforce this Agreement in the federal or state courts located in New York County, New York, and the Executive hereby agrees to the jurisdiction of such courts and further agrees to waive any defenses and/or arguments based upon improper venue and/or lack of personal jurisdiction with respect to such courts. The Executive represents that the Executive has consulted with counsel of the Executive's choice or has chosen voluntarily not to do so specifically with respect to this jury trial waiver.**

8. Notices. All notices and other communications hereunder shall be in writing and shall be delivered to the other party by email or fax to the email address or fax number set forth below or by FedEx or any other nationally recognized overnight courier service addressed as follows:

If to the Executive:

At the most recent address on file with the Company.

If to the Company:

Eco-Stim Energy Solutions, Inc.
2930 West Sam Houston Pkwy. South, Ste. 275
Houston, TX 77043
Attn: General Counsel

With copies (which shall not constitute notice to the Company) to:

Lowenstein Sandler LLP
1251 Avenue of the Americas
New York, New York 10020
Attention: Steven E. Siesser, Esq.

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications hereunder shall be effective, and the notice shall be deemed to be delivered, on the date it is sent if by email and/or fax and the date it is actually received by the other party if sent by FedEx or any other nationally recognized overnight courier service.

9. Tax Matters

(a) The Company may withhold from any and all amounts payable under this Agreement such federal, state, or local taxes as may be required to be withheld pursuant to any applicable law or regulation.

(b) The intent of the parties is that all payments, compensation and benefits contemplated hereunder that are subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations and guidance promulgated thereunder (collectively, "Code Section 409A") will be paid or provided in compliance with, or will be exempt from, all applicable requirements of Code Section 409A or an exemption therefrom, and the provisions of this Agreement shall be construed and administered in accordance with and to implement such intent. In no event shall the Company or any of its subsidiaries or affiliates be liable for any additional tax, interest or penalty that may be imposed on the Executive by Code Section 409A or damages for failing to comply with Code Section 409A. For purposes of Code Section 409A, the Executive's right to receive any installment payment pursuant to this Agreement will be treated as a right to receive a series of separate and distinct payments. In no event may the Executive, directly or indirectly, designate the calendar year of any payment to be made under this Agreement. In no event shall the timing of the Executive's execution of this Agreement, directly or indirectly, result in the Executive designating the calendar year of payment. Notwithstanding anything in this Agreement to the contrary, if the Executive is deemed on the date of termination to be a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then no payment that is considered non-qualified deferred compensation under Code Section 409A and payable on account of a "separation from service" shall be made or provided before the earlier of (A) the expiration of the six (6)-month period measured from the date of such "separation from service" of the Executive, and (B) the date of the Executive's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 9(b) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Executive in a lump sum and all remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

10. Severability. Subject to Section 6, the provisions of this Agreement shall be deemed severable. The invalidity or unenforceability of any provision of this Agreement in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of any provision of this Agreement in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by applicable law. The failure of the Company to seek enforcement of any provision of this Agreement in any instance or for any period of time shall not be construed as a waiver of such provision or of the Company's right to seek enforcement of such provision in the future.

11. Entire Agreement. Except as otherwise expressly provided herein, this Agreement constitutes the entire agreement between the Executive and the Company with respect to the subject matter hereof and supersedes any and all prior agreements or understandings between the Executive and the Company with respect to the subject matter hereof, whether written or unwritten (including, for the avoidance of doubt, the Employment Agreement). This Agreement will bind the heirs, personal representatives, successors and assigns of the Executive and the Company and inure to the benefit of the Executive, the Company, and the Executive's and its respective heirs, successors and assigns, provided that the Executive shall not, but the Company may, assign his or its rights or obligations hereunder without the express written consent of the other. This Agreement may be amended or modified only by a written instrument executed by the Executive and the Company.

12. Attorneys' Fees. The Executive hereby agrees that the Company Releasees shall be entitled to recover from the Executive all attorneys' fees and costs associated with their efforts to enforce this Agreement or the Continuing Obligations as a result of a breach of this Agreement or the Continuing Obligations by the Executive, and/or to recover damages for a breach of this Agreement or the Continuing Obligations by the Executive, and/or which are incurred by the Company Parties as a result of a breach of this Agreement or the Continuing Obligations by the Executive. Each party shall otherwise bear its own attorneys' fees and costs fees related to the subject matter of or arising out of this Agreement or the Employment Agreement.

13. No Admission. The Executive agrees that neither this Agreement, nor the furnishing of the consideration for this Agreement, shall be deemed or construed at any time to be an admission by the Company of improper or unlawful conduct.

14. No Claims. The Executive represents and warrants that the Executive has not filed any complaint, charge, or lawsuit that is not permitted by this Agreement against the Company Releasees with any government agency or any court. The Executive waives the Executive's right to any monetary recovery should any government agency (such as the Equal Employment Opportunity Commission) pursue any claims on the Executive's behalf.

15. Knowing and Voluntary. The Executive represents that he has read and fully understands this Agreement, that the Severance Benefits (even if limited to $10,000 or otherwise forfeited as provided herein) constitute valuable consideration for this Agreement, that the Executive has been given a reasonable period of time to consider this Agreement and consult with legal counsel, that the Executive is not executing this Agreement in reliance on any promises or representations other than those contained in this Agreement, and that the Executive is executing this Agreement voluntarily. The Executive acknowledges that the Company has informed the Executive that the Executive should consult with an attorney before executing this Agreement.

16. Counterparts and Signatures. This Agreement may be executed in counterparts, each of which shall be deemed an original, and together any counterparts shall constitute one and the same instrument. Additionally, the parties agree that electronic reproductions of signatures (i.e., scanned PDF versions of original signatures, facsimile transmissions, and the like) shall be treated as original signatures for purposes of execution of this Agreement.

17. Construction. The section or paragraph headings or titles herein are for convenience of reference only and shall not be deemed a part of this Agreement. The parties hereto acknowledge and agree that each party has reviewed and negotiated the terms and provisions of this Agreement and has had the opportunity to contribute to its revision. Accordingly, the rule of construction to the effect that ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement. Rather, the terms of this Agreement shall be construed in a reasonable manner to effect the intentions of both parties hereto and not in favor or against either party.

18. Transmission of Executed Agreement and Revocation. This Agreement shall be executed by Executive no earlier than the Termination Date. This executed Agreement or any revocation thereof may be delivered by facsimile transmission or e-mail (as a .pdf, .tif or similar un-editable attachment), which transmission shall be deemed delivery of an originally executed Agreement and/or revocation.

[Remainder of page intentionally left blank. Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

ECO-STIM ENERGY SOLUTIONS, INC.

/s/ Christopher J. Arntzen

Name: Christopher J. Arntzen
Title: Vice President

EXECUTIVE

/s/ J. Christopher Boswell

Name: J. Christopher Boswell

Signature Page to Separation and General Release Agreement

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER / CHIEF FINANCIAL OFFICER

Pursuant to Rule 13a-14(a) of the
Securities Exchange Act of 1934, as amended
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Alexander Nickolatos, certify that:

1. I have reviewed this Annual Report on Form 10-K of Eco-Stim Energy Solutions, Inc. (the "registrant");

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

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

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

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

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

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

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

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

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

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

Date: May 10, 2019

/s/ Alexander Nickolatos
Alexander Nickolatos
Interim President and Chief Executive Officer, Chief Financial Officer and Secretary

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the
Sarbanes Oxley Act of 2002

In connection with the Annual Report of Eco-Stim Energy Solutions, Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Alexander Nickolatos, Interim President and Chief Executive Officer, Chief Financial Officer and Secretary of the Company, certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

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

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

Date: May 10, 2019

/s/ Alexander Nickolatos
Alexander Nickolatos
Interim President and Chief Executive Officer, Chief Financial Officer and Secretary