PATTERSON UTI ENERGY INC
Form S-4
January 23, 2017
Table of Contents

As filed with the Securities and Exchange Commission on January 23, 2017

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

PATTERSON-UTI ENERGY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**1381**	**75-2504748**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(IRS Employer Identification No.)**

10713 West Sam Houston Parkway North, Suite 800

Houston, Texas 77064

(281) 765-7100

(Address, including ZIP code, and telephone number, including area code, of registrant s principal executive offices)

Seth D. Wexler

General Counsel and Secretary

Patterson-UTI Energy, Inc.

10713 West Sam Houston Parkway North, Suite 800

Houston, Texas 77064

(281) 765-7100

(Name, address, including ZIP code, and telephone number, including area code, of agent for service)

With Copies to:

David A. Katz

David K. Lam
Wachtell, Lipton, Rosen & Katz

51 West 52nd Street

New York, New York 10019

(212) 403-1000

David Treadwell

Seventy Seven Energy Inc.

777 N.W. 63rd Street

Oklahoma City, Oklahoma 73116

(405) 608-7777

Stephen M. Gill

Douglas E. McWilliams

Vinson & Elkins LLP

1001 Fannin Street, Suite 2500

Houston, Texas 77002

(713) 758-2222

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective and upon completion of the transactions described in the enclosed joint proxy statement/prospectus.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Amount to be Registered**	**Proposed Maximum Offering Price Per Unit**	**Proposed Maximum Aggregate Offering Price**	**Amount of Registration Fee**
Common Stock, par value $.01 per share	49,559,000(1)	N/A	$1,321,115,481(2)	$153,117.28(3)

(1) Represents the estimated maximum number of Registrant s shares to be issued pursuant to the merger agreement described herein.

(2) Estimated solely for purposes of calculating the registration fee required by Section 6(b) of the Securities Act and calculated pursuant to Rules 457(f)(1) and 457(c) under the Securities Act. The proposed maximum aggregate offering price of the Registrant s common shares was calculated based upon the market value of shares of Seventy Seven Energy Inc. common stock (the securities to be cancelled in the merger) in accordance with Rule 457(c) under the Securities Act as follows: the product of (x) $47.25, the average of the bid and asked prices per share of Seventy Seven Energy Inc. common stock on January 20, 2017 as quoted on the OTC Market Group Inc. s OTC Grey market, multiplied by (y) 27,960,116, the maximum number of shares of Seventy Seven Energy Inc. common stock to be exchanged in the merger.

(3) Determined in accordance with Section 6(b) of the Securities Act at a rate equal to $115.90 per $1,000,000 of the proposed maximum aggregate offering price.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such dates as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this joint proxy statement/prospectus is not complete and may be changed. We may not distribute the Patterson-UTI Energy, Inc. common stock being registered pursuant to this joint proxy statement/prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This joint proxy statement/prospectus does not constitute an offer to distribute or a solicitation of an offer to receive any securities in any jurisdiction where an offer or solicitation is not permitted.

PRELIMINARY SUBJECT TO COMPLETION DATED JANUARY 23, 2017

JOINT PROXY STATEMENT/ PROSPECTUS

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

The board of directors of Patterson-UTI Energy, Inc. (Patterson-UTI) and the board of directors of Seventy Seven Energy Inc. (SSE) have each approved an Agreement and Plan of Merger (which, as it may be amended from time to time, is referred to as the merger agreement) that provides for the combination of SSE and Patterson-UTI. Pursuant to the terms of the merger agreement, a wholly owned subsidiary of Patterson-UTI will merge with and into SSE (the merger), with SSE surviving the merger as a wholly owned subsidiary of Patterson-UTI.

If the merger is completed, each share of SSE common stock, par value $0.01 per share, issued and outstanding immediately prior to the effective time of the merger (other than certain shares specified in the merger agreement), will be converted into the right to receive a number of shares of Patterson-UTI common stock, par value $0.01 per share, equal to the exchange ratio. The exchange ratio will be equal to 49,559,000 shares of Patterson-UTI common stock, divided by the total number of shares of SSE common stock outstanding or deemed outstanding immediately prior to the effective time of the merger (which includes, among other things, (i) shares of SSE common stock outstanding as a result of the exercise of warrants to acquire SSE common stock, (ii) shares of SSE common stock deemed outstanding as a result of the vesting of SSE restricted stock unit awards that existed prior to the execution of the merger agreement, (iii) shares of SSE common stock subject to perfected appraisal rights, (iv) shares of SSE common stock that underlie restricted stock unit awards that SSE issues on or after the execution of the merger agreement and (v) 50% of any shares of SSE common stock that have been tendered to SSE on or after August 1, 2016 for the purposes of satisfying tax withholding obligations upon the vesting of SSE restricted stock unit awards); *provided* that, in the event that any Series A warrants to acquire SSE common stock are forfeited or net settled, such 49,559,000 shares of Patterson-UTI common stock will be reduced by a number equal to (i) the aggregate exercise price for the warrants that are forfeited or net settled, divided by (ii) the volume weighted average price of a share of Patterson-UTI common stock for the ten consecutive trading days immediately preceding the third business day prior to the closing of the merger. In no event will Patterson-UTI issue more than 49,559,000 shares of its common stock as merger consideration. Annex B to this joint proxy statement/prospectus sets forth illustrative calculations of the exchange ratio. Based on the closing price of Patterson-UTI common stock on the Nasdaq Global

Select Market (the NASDAQ) on December 12, 2016, the last trading day before public announcement of the merger, the aggregate transaction value of the merger consideration payable to SSE stockholders was approximately $1.42 billion, assuming the issuance of 49,559,000 shares of Patterson-UTI common stock.

Shares of Patterson-UTI common stock outstanding before the merger is completed will remain outstanding and will not be exchanged, converted or otherwise changed in the merger. Patterson-UTI common stock is currently traded on the NASDAQ, under the symbol PTEN . **We urge you to obtain current market quotations of Patterson-UTI common stock.** SSE common stock is not currently traded on a national securities exchange.

We intend for the merger to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Code). Accordingly, SSE stockholders generally are not expected to recognize any gain or loss for U.S. federal income tax purposes upon the exchange of shares of SSE common stock for shares of Patterson-UTI common stock pursuant to the merger, except with respect to cash received in lieu of fractional shares of Patterson-UTI common stock.

Based on the estimated number of shares of Patterson-UTI and SSE common stock that will be outstanding immediately prior to the closing of the merger and assuming that each holder of an SSE Series A warrant exercises their warrants for cash, we estimate that, upon such closing, former SSE stockholders will own up to approximately 25% of the combined company following the merger.

At a special meeting of SSE stockholders, SSE stockholders will be asked to vote on a proposal to adopt the merger agreement. Approval of this proposal requires the affirmative vote of a majority of the outstanding shares of SSE common stock entitled to vote thereon. At the special meeting, SSE stockholders will also be asked to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger.

In connection with the execution of the merger agreement, certain affiliates of Axar Capital Management, LLC (Axar), BlueMountain Capital Management, LLC (BlueMountain) and Mudrick Capital Management, L.P. (Mudrick) entered into voting and support agreements with Patterson-UTI, pursuant to which each such stockholder agreed to vote all of its shares of SSE common stock in favor of the adoption of the merger agreement and against, among other things, alternative transactions. As of the date of this joint proxy statement/prospectus, those stockholders hold and are entitled to vote in the aggregate approximately 59% of the issued and outstanding shares of SSE common stock entitled to vote at the SSE special meeting. In the event that SSE s board of directors changes its recommendation that SSE stockholders adopt the merger agreement, such stockholders, taken together, will be required to vote shares that, in the aggregate, represent 39.99% of the issued and outstanding shares of SSE common stock on such proposal, with each such stockholder being able to vote the balance of its shares of SSE common stock on such proposal in such stockholder s sole discretion. See The Merger Agreement Voting and Support Agreements beginning on page 144 for more information.

At a special meeting of Patterson-UTI stockholders, Patterson-UTI stockholders will be asked to vote on the proposal to approve the issuance of shares of Patterson-UTI common stock to SSE stockholders in connection with the merger. Approval of this proposal requires the affirmative vote of a majority of the shares of Patterson-UTI common stock, present in person or represented by proxy at the Patterson-UTI special meeting and entitled to vote thereon, assuming a quorum is present.

The SSE board of directors unanimously recommends that the SSE stockholders vote FOR the proposal to adopt the merger agreement, FOR the approval, on an advisory (non-binding) basis, of the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger and FOR the proposal to approve the adjournment of the SSE special meeting, if necessary or appropriate, to permit further solicitation of proxies.

The Patterson-UTI board of directors unanimously recommends that the Patterson-UTI stockholders vote FOR the proposal to approve the issuance of shares of Patterson-UTI common stock to SSE stockholders in connection with the merger and FOR the proposal to approve the adjournment of the Patterson-UTI special meeting, if necessary or appropriate, to permit further solicitation of proxies.

The obligations of Patterson-UTI and SSE to complete the merger are subject to the satisfaction or waiver of several conditions set forth in the merger agreement. The accompanying joint proxy statement/prospectus contains detailed information about Patterson-UTI, SSE, the special meetings, the merger agreement and the merger. Patterson-UTI and SSE encourage you to read the joint proxy statement/prospectus carefully and in its entirety before voting, including the section titled Risk Factors beginning on page 35.

We look forward to the successful combination of Patterson-UTI and SSE.

Sincerely,

William A. Hendricks, Jr.	Jerry Winchester
President and Chief Executive Officer	President and Chief Executive Officer
Patterson-UTI Energy, Inc.	Seventy Seven Energy Inc.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under the joint proxy statement/prospectus or determined if the joint proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The joint proxy statement/prospectus is dated , 2017 and is first being mailed to Patterson-UTI stockholders and SSE stockholders on or about , 2017.

Table of Contents

Patterson-UTI Energy, Inc.

10713 West Sam Houston Parkway North, Suite 800

Houston, Texas 77064

(281) 765-7100

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held On , 2017

To the Stockholders of Patterson-UTI Energy, Inc.:

We are pleased to invite you to attend the special meeting of stockholders of Patterson-UTI Energy, Inc., a Delaware corporation (Patterson-UTI), which will be held at Patterson-UTI s executive offices at 10713 West Sam Houston Parkway North, Suite 800, Houston, Texas 77064, on , 2017 at , local time, for the following purposes:

- to vote on a proposal to approve the issuance of shares of Patterson-UTI common stock, par value $0.01 per share, to stockholders of Seventy Seven Energy Inc., a Delaware corporation (SSE) in connection with the merger contemplated by the Agreement and Plan of Merger, dated as of December 12, 2016, by and among Patterson-UTI, SSE and Pyramid Merger Sub, Inc., a wholly owned subsidiary of Patterson-UTI (Merger Sub), as that agreement may be amended from time to time (the merger agreement), a copy of which is included as Annex A to the joint proxy statement/prospectus of which this notice is a part; and

- to vote on a proposal to approve the adjournment of the Patterson-UTI special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the first proposal listed above.

Patterson-UTI will transact no other business at the special meeting except such business as may properly be brought before the Patterson-UTI special meeting by or at the direction of the Patterson-UTI board of directors. References to the Patterson-UTI special meeting in this joint proxy statement/prospectus are to such special meeting as adjourned or postponed. Please refer to the joint proxy statement/prospectus of which this notice is a part for further information with respect to the business to be transacted at the Patterson-UTI special meeting.

The Patterson-UTI board of directors has fixed the close of business on , 2017 as the record date for the Patterson-UTI special meeting. Only Patterson-UTI stockholders of record at that time are entitled to receive notice of, and to vote at, the Patterson-UTI special meeting. A complete list of such stockholders will be available for inspection by any Patterson-UTI stockholder for any purpose germane to the special meeting during ordinary business hours for the ten days preceding the Patterson-UTI special meeting at Patterson-UTI s offices at the address on this notice. The eligible Patterson-UTI stockholder list will also be available at the Patterson-UTI special meeting for examination by any stockholder present at such meeting.

Completion of the merger is conditioned on approval of the issuance of shares of Patterson-UTI common stock to SSE stockholders in connection with the merger. Approval of the issuance of shares of Patterson-UTI common stock to SSE stockholders in connection with the merger requires the affirmative vote of the holders of the shares of Patterson-UTI common stock, present in person or represented by proxy at the Patterson-UTI special meeting and entitled to vote thereon, assuming a quorum is present.

The Patterson-UTI board of directors unanimously approved the merger agreement, the merger and the other transactions contemplated by the merger agreement, and declared the merger agreement, the merger and the other transactions contemplated by the merger agreement (including the issuance of shares of Patterson-UTI common stock to SSE stockholders in connection with the merger) to be advisable

Table of Contents

and fair to and in the best interests of Patterson-UTI stockholders. The Patterson-UTI board of directors unanimously recommends that Patterson-UTI stockholders vote FOR the proposal to approve the issuance of shares of Patterson-UTI common stock to SSE stockholders in connection with the merger and FOR the proposal to approve the adjournment of the Patterson-UTI special meeting, if necessary or appropriate, to permit further solicitation of proxies.

Your vote is very important regardless of the number of shares that you own. Whether or not you expect to attend the Patterson-UTI special meeting in person, to ensure your representation at the Patterson-UTI special meeting, we urge you to submit a proxy to vote your shares as promptly as possible by (i) accessing the internet site listed on the Patterson-UTI proxy card, (ii) calling the toll-free number listed on the Patterson-UTI proxy card or (iii) submitting your Patterson-UTI proxy card by mail by using the provided self-addressed, stamped envelope. Submitting a proxy will not prevent you from voting in person, but it will help to secure a quorum and avoid added solicitation costs. Any eligible holder of Patterson-UTI common stock who is present at the Patterson-UTI special meeting may vote in person, thereby canceling any previous proxy. In any event, a proxy may be revoked at any time before the Patterson-UTI special meeting in the manner described in the accompanying joint proxy statement/prospectus. If your shares are held in the name of a bank, broker or other nominee, please follow the instructions on the voting instruction card furnished by such bank, broker or other nominee.

The enclosed joint proxy statement/prospectus provides a detailed description of the merger and the merger agreement and the other matters to be considered at the Patterson-UTI special meeting. We urge you to read carefully the joint proxy statement/prospectus including any documents incorporated by reference and the Annexes in their entirety. If you have any questions concerning the merger or the joint proxy statement/prospectus or if you would like additional copies or need help voting your shares of Patterson-UTI common stock please contact Patterson-UTI s proxy solicitor:

Georgeson LLC

1290 Avenue of the Americas, 9th Floor

New York, New York 10104

(800) 891-3214

By Order of the Patterson-UTI Board of Directors,

Seth D. Wexler

General Counsel and Secretary

Houston, Texas

, 2017

Table of Contents

Seventy Seven Energy Inc.

777 N.W. 63rd Street

Oklahoma City, Oklahoma 73116

(405) 608-7777

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held On , 2017

To the Stockholders of Seventy Seven Energy Inc.:

We are pleased to invite you to attend the special meeting of stockholders of Seventy Seven Energy Inc., a Delaware corporation (SSE), which will be held at SSE s executive offices at 777 N.W. 63rd Street, Oklahoma City, Oklahoma 73116, on , 2017, at , local time, for the following purposes:

- to vote on a proposal to adopt the Agreement and Plan of Merger, dated as of December 12, 2016, by and among Patterson-UTI Energy, Inc., a Delaware corporation (Patterson-UTI), SSE and Pyramid Merger Sub, Inc., a wholly owned subsidiary of Patterson-UTI (Merger Sub), as that agreement may be amended from time to time (the merger agreement), a copy of which is included as Annex A to the joint proxy statement/prospectus of which this notice is a part;

- to vote on a proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger; and

- to vote on a proposal to approve the adjournment of the SSE special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the first proposal listed above.

SSE will transact no other business at the special meeting except such business as may properly be brought before the SSE special meeting or any adjournment or postponement thereof by or at the direction of the SSE board of directors. References to the SSE special meeting in this joint proxy statement/prospectus are to such special meeting as adjourned or postponed. Please refer to the joint proxy statement/prospectus of which this notice is a part for further information with respect to the business to be transacted at the SSE special meeting.

The SSE board of directors has fixed the close of business on , 2017 as the record date for the SSE special meeting. Only SSE stockholders of record at that time are entitled to receive notice of, and to vote at, the SSE special meeting. A complete list of such stockholders will be available for inspection by any SSE stockholder for any purpose germane to the special meeting during ordinary business hours for the ten days preceding the SSE special meeting at SSE s offices at the address on this notice. The eligible SSE stockholder list will also be available at the SSE special meeting for examination by any stockholder present at such meeting.

In connection with the execution of the merger agreement, certain affiliates of Axar Capital Management, LLC, BlueMountain Capital Management, LLC and Mudrick Capital Management, L.P., entered into voting and support agreements with Patterson-UTI, pursuant to which each such stockholder agreed to vote all of its shares of SSE common stock in favor of the adoption of the merger agreement and against, among other things, alternative transactions. As of the date of this joint proxy statement/prospectus, those stockholders hold and are entitled to vote in the aggregate approximately 59% of the issued and outstanding shares of SSE common stock entitled to vote at the SSE special meeting. In the event that SSE s board of directors changes its recommendation that SSE stockholders adopt the merger agreement, such stockholders, taken together, will be required to vote shares that, in the aggregate, represent 39.99% of the issued and outstanding shares of SSE common stock on such proposal, with each such stockholder being able to vote the balance of its shares of SSE common stock on such proposal in such stockholder s sole discretion. See The Merger Agreement Voting and Support Agreements beginning on page 144 for more information.

Completion of the merger is conditioned on approval and adoption of the merger agreement and the transactions contemplated by the merger agreement, including the merger, by the SSE stockholders, which requires the affirmative vote of a majority of the outstanding shares of SSE common stock entitled to vote thereon.

The proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger is a vote separate and apart from the vote on the proposal to adopt the merger agreement. Accordingly, a SSE stockholder may vote to approve one proposal and not the other. Because the vote on the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger is advisory in nature only, it will not be binding on SSE or Patterson-UTI, and the approval of that proposal is not a condition to the completion of the merger.

The SSE board of directors unanimously approved the merger agreement, the merger and the other transactions contemplated by the merger agreement, and declared the merger agreement, the merger and the other transactions contemplated by the merger agreement to be advisable and fair to and in the best interests of SSE stockholders. The SSE board of directors unanimously recommends that SSE stockholders vote FOR the proposal to adopt the merger agreement, FOR the approval, on an advisory (non-binding) basis, of the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger and FOR the proposal to approve the adjournment of the SSE special meeting, if necessary or appropriate, to permit further solicitation of proxies.

Your vote is very important regardless of the number of shares that you own. Whether or not you expect to attend the SSE special meeting in person, to ensure your representation at the SSE special meeting, we urge you to submit a proxy to vote your shares as promptly as possible by (i) accessing the internet site listed on the SSE proxy card, (ii) calling the toll-free number listed on the SSE proxy card or (iii) submitting your SSE proxy card by mail by using the provided self-addressed, stamped envelope. Submitting a proxy will not prevent you from voting in person, but it will help to secure a quorum and avoid added solicitation costs. Any eligible holder of SSE common stock who is present at the SSE special meeting may vote in person, thereby canceling any previous proxy. In any event, a proxy may be revoked at any time before the SSE special meeting in the manner described in the accompanying joint proxy statement/prospectus. If your shares are held in the name of a bank, broker or other nominee, please follow the instructions on the voting instruction card furnished by such bank, broker or other nominee.

The enclosed joint proxy statement/prospectus provides a detailed description of the merger and the merger agreement and the other matters to be considered at the SSE special meeting. We urge you to read carefully the joint proxy statement/prospectus including any documents incorporated by reference and the Annexes in their entirety. If you have any questions concerning the merger or the joint proxy statement/prospectus or if you would like additional copies or need help voting your shares of SSE common stock please contact:

Seventy Seven Energy Inc.

777 NW 63rd Street

Oklahoma City, Oklahoma 73116

(405) 608-7777

Attn: Investor Relations

By Order of the SSE Board of Directors,

David C. Treadwell

Senior Vice President, General Counsel and

Secretary

Oklahoma City, Oklahoma

, 2017

ADDITIONAL INFORMATION

This joint proxy statement/prospectus incorporates important business and financial information about Patterson-UTI from other documents that are not included in or delivered with this joint proxy statement/prospectus. This information is available to you without charge upon your request. You can obtain the documents incorporated by reference into this joint proxy statement/prospectus free of charge by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

Investors may also consult Patterson-UTI s or SSE s website for more information about Patterson-UTI or SSE, respectively. Patterson-UTI s website is *http://patenergy.com/*. SSE s website is *http://www.77nrg.com/*. Information included on these websites is not incorporated by reference into this joint proxy statement/prospectus.

If you would like to request any documents, please do so by , 2017 in order to receive them before the special meetings. If you request any documents, Patterson-UTI or SSE will mail them to you by first class mail, or another equally prompt means, after receipt of your request.

For a more detailed description of the information incorporated by reference in this joint proxy statement/prospectus and how you may obtain it, see Where You Can Find More Information beginning on page 250.

Table of Contents

ABOUT THIS JOINT PROXY STATEMENT/PROSPECTUS

This joint proxy statement/prospectus, which forms part of a registration statement on Form S-4 filed with the U.S. Securities and Exchange Commission (the SEC) by Patterson-UTI, constitutes a prospectus of Patterson-UTI under the Securities Act of 1933, as amended (the Securities Act), with respect to the shares of Patterson-UTI common stock to be issued to SSE stockholders in connection with the merger. This joint proxy statement/prospectus also constitutes a joint proxy statement for both Patterson-UTI and SSE under the Securities Exchange Act of 1934, as amended (the Exchange Act). It also constitutes a notice of meeting with respect to the special meeting of Patterson-UTI stockholders and a notice of meeting with respect to the special meeting of SSE stockholders.

You should rely only on the information contained in or incorporated by reference into this joint proxy statement/prospectus. Neither Patterson-UTI nor SSE has authorized anyone to give any information or make any representation about the merger, Patterson-UTI or SSE that is different from, or in addition to, that contained in this joint proxy statement/prospectus or in any of the materials that have been incorporated by reference into this joint proxy statement/prospectus. Therefore, if anyone distributes this type of information, you should not rely on it. This joint proxy statement/prospectus is dated , 2017. You should not assume that the information contained in this joint proxy statement/prospectus is accurate as of any date other than that date. You should not assume that the information incorporated by reference into this joint proxy statement/prospectus is accurate as of any date other than the date of the incorporated document. Neither our mailing of this joint proxy statement/prospectus to Patterson-UTI stockholders or SSE stockholders nor the issuance by Patterson-UTI of shares of common stock pursuant to the merger agreement will create any implication to the contrary.

This joint proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation. Information contained in this joint proxy statement/prospectus regarding Patterson-UTI has been provided by Patterson-UTI and information contained in this joint proxy statement/prospectus regarding SSE has been provided by SSE.

All references in this joint proxy statement/prospectus to Patterson-UTI refer to Patterson-UTI Energy, Inc., a Delaware corporation; all references in this joint proxy statement/prospectus to Merger Sub refer to Pyramid Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of Patterson-UTI formed for the sole purpose of effecting the merger; all references in this joint proxy statement/prospectus to SSE refer to Seventy Seven Energy Inc., a Delaware corporation; unless otherwise indicated or as the context requires, all references in this joint proxy statement/prospectus to we, our and us refer to Patterson-UTI and SSE collectively unless otherwise indicated herein; and, unless otherwise indicated or as the context requires, all references to the merger agreement refer to the Agreement and Plan of Merger, dated as of December 12, 2016, by and among Patterson-UTI Energy, Inc., Pyramid Merger Sub, Inc. and Seventy Seven Energy Inc., which is incorporated by reference into this joint proxy statement/prospectus and a copy of which is included as Annex A to this joint proxy statement/prospectus. Patterson-UTI and SSE, subject to and following completion of the merger, are sometimes referred to in this joint proxy statement/prospectus as the combined company.

TABLE OF CONTENTS

Table of Contents

Table of Contents

Table of Contents

QUESTIONS AND ANSWERS

The following are some questions that you, as a Patterson-UTI stockholder or a SSE stockholder, may have regarding the merger and the other matters being considered at the special meetings, as well as the answers to those questions. Patterson-UTI and SSE urge you to read carefully the remainder of this joint proxy statement/prospectus including any documents incorporated by reference and the Annexes in their entirety because the information in this section does not provide all of the information that might be important to you with respect to the merger agreement, the merger and the other matters being considered at the special meetings. See Where You Can Find More Information beginning on page 250.

Q: Why am I receiving this joint proxy statement/prospectus?

A: Patterson-UTI and SSE have agreed to a business combination pursuant to the terms of the merger agreement that is described in this joint proxy statement/prospectus. A copy of the merger agreement is included in this joint proxy statement/prospectus as Annex A.

In order to complete the merger, among other conditions:

- Patterson-UTI stockholders must approve the issuance of shares of Patterson-UTI common stock to SSE stockholders in connection with the merger; and
- SSE stockholders must adopt the merger agreement.

Patterson-UTI and SSE will hold separate special meetings of their stockholders to obtain these approvals. This joint proxy statement/prospectus, including its Annexes, contains and, with respect to Patterson-UTI, incorporates by reference, important information about Patterson-UTI and SSE, the merger and the stockholder meetings of Patterson-UTI and SSE. You should read all of the available information carefully and in its entirety. See Where You Can Find More Information beginning on page 250.

Q: What effect will the merger have?

A: Patterson-UTI and SSE have entered into the merger agreement pursuant to which SSE will become a wholly owned subsidiary of Patterson-UTI and SSE stockholders will become stockholders of Patterson-UTI.

Following the merger, the stockholders of Patterson-UTI and SSE will be the stockholders of the combined company.

Q: What will I receive in the merger?

A:

Patterson-UTI Stockholders: Regardless of whether the merger is completed, Patterson-UTI stockholders will retain the Patterson-UTI common stock that they currently own. They will not receive any merger consideration, and they will not receive any additional shares of Patterson-UTI common stock in the merger.

SSE Stockholders: If the merger is completed, SSE stockholders will receive a number of shares of Patterson-UTI common stock for each share of SSE common stock that they hold immediately prior to the effective time of the merger (the effective time) equal to the exchange ratio. The exchange ratio will be equal to 49,559,000 shares of Patterson-UTI common stock, divided by the total number of shares of SSE common stock outstanding or deemed outstanding immediately prior to the effective time (which includes (i) shares of SSE common stock outstanding as a result of the exercise of warrants to acquire SSE common stock, (ii) shares of SSE common stock deemed outstanding as a result of the vesting of SSE restricted stock unit awards that existed prior to the execution of the merger agreement, (iii) any shares of SSE common stock subject to perfected appraisal rights, (iv) shares of SSE common stock that underlie restricted stock unit awards that SSE issues on or after the execution of the merger agreement and (v) 50% of any shares of SSE common stock that have been tendered to SSE on or after August 1, 2016 for the purposes of satisfying tax withholding obligations upon the vesting of SSE restricted stock unit awards); *provided*, that in the event that any Series A warrants to acquire SSE common stock are forfeited or net settled, such 49,559,000 shares of Patterson-UTI common stock will be reduced by a number equal to (i) the aggregate exercise price for the warrants that are forfeited or net settled, divided by (ii) the volume weighted average price of a share of Patterson-UTI common stock for the ten consecutive trading days immediately preceding the third business day prior to the closing of the merger. In no event will Patterson-UTI issue more than 49,559,000 shares of its common stock as merger consideration. Annex B to this joint proxy statement/prospectus sets forth illustrative calculations of the exchange ratio.

SSE stockholders will not receive any fractional shares of Patterson-UTI common stock in the merger. Instead, Patterson-UTI will pay cash (without interest) in lieu of any fractional shares of Patterson-UTI common stock that a SSE stockholder would otherwise have been entitled to receive. SSE stockholders will also be entitled to any dividends declared and paid by Patterson-UTI with a record date at or after the effective time.

Q: If I am an SSE stockholder, how will I receive the merger consideration to which I am entitled?

A: A letter of transmittal and instructions for the surrender of SSE common stock certificates, or in the case of book entry shares, the surrender of such shares, will be mailed to SSE stockholders shortly after the completion of the merger. After receiving proper documentation from you, the exchange agent will forward to you the Patterson-UTI common stock and cash in lieu of fractional shares to which you are entitled. See The Merger Agreement Exchange of Shares in the Merger beginning on page 122.

Q: What is the value of the merger consideration?

A: Because Patterson-UTI will issue shares of Patterson-UTI common stock in exchange for each share of SSE common stock outstanding immediately prior to such exchange, the value of the merger consideration that SSE stockholders receive will depend on the price per share of Patterson-UTI common stock at the effective time. That price will not be known at the time of the special meetings and may be greater or less than the current price or the price at the time of the special meetings. We urge you to obtain current market quotations of Patterson-UTI common stock. See Risk Factors beginning on page 35.

In addition, the value of the merger consideration is dependent upon the exchange ratio. The exchange ratio will be 1.7725 if all outstanding Series A warrants of SSE are exercised for cash, no other warrants are exercised, no other shares of SSE are issued prior to closing and certain other assumptions set forth in Example 1 of Annex B of this joint proxy statement/prospectus. The exchange ratio will be reduced if holders of Series A warrants of SSE fail to exercise their warrants by tendering the cash exercise price, either by forfeiting the warrants or by net share settling such warrants. The exchange ratio will also be reduced if Series B or Series C warrants of SSE all of which are presently out-of-the-money nevertheless exercise their warrants. The exchange ratio will further be reduced by any additional restricted stock unit awards granted by SSE for retention purposes, which will not exceed 300,000 restricted stock units in the aggregate. As of January 20, 2017, SSE has granted 283,814 restricted stock units since the execution of the merger agreement.

Q: When and where will the special meetings be held?

A: *Patterson-UTI Stockholders*: The special meeting of Patterson-UTI stockholders will be held at Patterson-UTI s executive offices at 10713 West Sam Houston Parkway North, Suite 800, Houston, Texas 77064, on , 2017, at , local time.

SSE Stockholders: The special meeting of SSE stockholders will be held at SSE s executive offices at 777 N.W. 63rd Street, Oklahoma City, Oklahoma 73116, on , 2017, at , local time.

2

Table of Contents

Q: Who is entitled to vote at the special meetings?

A: *Patterson-UTI Stockholders*: The record date for the Patterson-UTI special meeting is , 2017. Only record holders of shares of Patterson-UTI common stock at the close of business on such date are entitled to notice of, and to vote at, the Patterson-UTI special meeting.

SSE Stockholders: The record date for the SSE special meeting is , 2017. Only record holders of shares of SSE common stock at the close of business on such date are entitled to notice of, and to vote at, the SSE special meeting.

Q: What constitutes a quorum at the special meetings?

A: *Patterson-UTI Stockholders*: Stockholders who hold shares representing at least a majority of the voting power of all outstanding shares of common stock entitled to vote at the Patterson-UTI special meeting must be present in person or represented by proxy to constitute a quorum. All shares of Patterson-UTI common stock represented at the Patterson-UTI special meeting, including shares that are represented but that abstain from voting on one or more proposals, will be treated as present for purposes of determining the presence or absence of a quorum. Broker non-votes (if any) will not be treated as present for purposes of determining the presence or absence of a quorum.

SSE Stockholders: Stockholders who hold shares representing at least a majority of the voting power of all outstanding shares of common stock entitled to vote at the SSE special meeting must be present in person or represented by proxy to constitute a quorum. All shares of SSE common stock represented at the SSE special meeting, including shares that are represented but that abstain from voting on one or more proposals, will be treated as present for purposes of determining the presence or absence of a quorum. Broker non-votes (if any) will not be treated as present for purposes of determining the presence or absence of a quorum.

Additional information on the quorum requirements can be found under the heading Quorum on page 60 with respect to Patterson-UTI and on page 65 with respect to SSE.

Q: How do I vote if I am a stockholder of record?

A: *Patterson-UTI Stockholders*: If you were a record holder of Patterson-UTI common stock at the close of business on the record date for the Patterson-UTI special meeting, you may vote in person by attending the Patterson-UTI special meeting or, to ensure that your shares are represented at the Patterson-UTI special meeting, you may authorize a proxy to vote by:

accessing the internet site listed on the Patterson-UTI proxy card and following the instructions provided on that site anytime up to , eastern time, on , 2017;

calling the toll-free number listed on the Patterson-UTI proxy card and following the instructions provided in the recorded message anytime up to , eastern time, on , 2017; or

submitting your Patterson-UTI proxy card by mail by using the provided self-addressed, stamped envelope.

If you hold shares of Patterson-UTI common stock in street name through a bank, broker or other nominee, please follow the voting instructions provided by your bank, broker or other nominee to ensure that your shares are represented at the Patterson-UTI special meeting.

SSE Stockholders: If you were a record holder of SSE common stock at the close of business on the record date for the SSE special meeting, you may vote in person by attending the SSE special meeting or, to ensure that your shares are represented at the SSE special meeting, you may authorize a proxy to vote by:

accessing the internet site listed on the SSE proxy card and following the instructions provided on that site at any time up to p.m., eastern time, on , 2017;

calling the toll-free number listed on the SSE proxy card and following the instructions provided in the recorded message at any time up to p.m., eastern time, on , 2017; or

submitting your SSE proxy card by mail by using the provided self-addressed, stamped envelope.

If you hold shares of SSE common stock in street name through a bank, broker or other nominee, please follow the voting instructions provided by your bank, broker or other nominee to ensure that your shares are represented at the SSE special meeting.

Q: How many votes do I have?

A: *Patterson-UTI Stockholders*: With respect to each proposal to be presented at the Patterson-UTI special meeting, holders of Patterson-UTI common stock as of the Patterson-UTI record date are entitled to one vote for each share of Patterson-UTI common stock owned at the close of business on the Patterson-UTI record date. At the close of business on the Patterson-UTI record date, there were shares of Patterson-UTI common stock outstanding and entitled to vote at the Patterson-UTI special meeting.

SSE Stockholders: With respect to each proposal to be presented at the SSE special meeting, holders of SSE common stock as of the SSE record date are entitled to one vote for each share of SSE common stock owned at the close of business on the SSE record date. At the close of business on the SSE record date, there were shares of SSE common stock outstanding and entitled to vote at the SSE special meeting.

Q: Who will serve on the Patterson-UTI board of directors following the completion of the merger?

A: Following the completion of the merger, it is anticipated that the Patterson-UTI board of directors will have seven members, consisting of the seven individuals currently serving on the Patterson-UTI board of directors as of the date of this joint proxy statement/prospectus.

Q: Who will serve as executive management of Patterson-UTI following the completion of the merger?

A: Following the completion of the merger, it is anticipated that each of the Patterson-UTI executive officers will continue to serve in their current positions and under the same compensation plans and arrangements that were in place prior to the merger:

Mark S. Siegel	Executive Chairman
William Andrew Hendricks, Jr.	President and Chief Executive Officer
John E. Vollmer III	Senior Vice President Corporate Development, Chief Financial Officer and Treasurer
Kenneth N. Berns	Senior Vice President
Seth D. Wexler	General Counsel and Secretary

James M. Holcomb	President	Patterson-UTI Drilling Company LLC

Q: What vote is required to approve each proposal?

A: *Patterson-UTI Stockholders*: The approval of the issuance of shares of Patterson-UTI common stock to SSE stockholders in connection with the merger requires the affirmative vote of a majority of the shares of Patterson-UTI common stock, present in person or represented by proxy at the Patterson-UTI special meeting and entitled to vote thereon, assuming a quorum is present. Assuming a quorum is present, shares that are not present in person or by proxy and broker non-votes (if any) will have no effect on the vote for this proposal; however, abstentions will have the same effect as a vote AGAINST the approval of such proposal.

Table of Contents

The adjournment of the Patterson-UTI special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of a majority of the shares of Patterson-UTI common stock, present in person or represented by proxy at the Patterson-UTI special meeting and entitled to vote thereon, regardless of whether there is a quorum. Assuming a quorum is present, shares that are not present in person or by proxy and broker non-votes (if any) will have no effect on the vote for this proposal; however, abstentions will have the same effect as a vote AGAINST the approval of such proposal.

SSE Stockholders: The approval and adoption of the merger agreement and the transactions contemplated by the merger agreement, including the merger, requires the affirmative vote of a majority of the outstanding shares of SSE common stock entitled to vote thereon. Assuming a quorum is present, failures to vote, broker non-votes (if any) and abstentions will have the same effect as a vote AGAINST the approval of such proposal.

The approval, on an advisory (non-binding) basis, of the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger requires the affirmative vote of a majority of the voting power of the outstanding shares present in person or represented by proxy at the meeting and entitled to vote thereon, assuming a quorum is present. Assuming a quorum is present, shares that are not present in person or by proxy and broker non-votes (if any) will have no effect on the vote for this proposal; however, abstentions will have the same effect as a vote AGAINST the approval of such proposal.

The adjournment of the SSE special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of a majority of the voting power of the outstanding shares present in person or represented by proxy at the meeting and entitled to vote thereon, regardless of whether there is a quorum. Assuming a quorum is present, shares that are not present in person or by proxy and broker non-votes (if any) will have no effect on the vote for this proposal; however, abstentions will have the same effect as a vote AGAINST the approval of such proposal.

Q: How does the Patterson-UTI board of directors recommend that Patterson-UTI stockholders vote?

A: The Patterson-UTI board of directors unanimously approved the merger agreement, the merger and the other transactions contemplated by the merger agreement, and declared the merger agreement, the merger and the other transactions contemplated by the merger agreement (including the issuance of shares of Patterson-UTI common stock to SSE stockholders in connection with the merger) to be advisable and fair to and in the best interests of Patterson-UTI stockholders. Accordingly, the Patterson-UTI board of directors unanimously recommends that Patterson-UTI stockholders vote FOR the proposal to approve the issuance of shares of Patterson-UTI common stock to SSE stockholders in connection with the merger and FOR the proposal to approve the adjournment of the Patterson-UTI special meeting, if necessary or appropriate, to permit further solicitation of proxies.

Q: How does the SSE board of directors recommend that SSE stockholders vote?

A: The SSE board of directors unanimously approved the merger agreement, the merger and the other transactions contemplated by the merger agreement, and declared the merger agreement, the merger and the other transactions contemplated by the merger agreement to be advisable and fair to and in the best interests of SSE stockholders. Accordingly, the SSE board of directors unanimously recommends that SSE stockholders vote FOR the proposal to adopt the merger agreement, FOR the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger and FOR the proposal to approve the adjournment of the SSE special meeting, if necessary or appropriate, to permit further solicitation of proxies.

Q: My shares are held in street name by my bank, broker or other nominee. Will my bank, broker or other nominee automatically vote my shares for me?

A: No. If your shares are held through a bank, broker or other nominee, you are considered the beneficial holder of the shares held for you in what is known as street name. The record holder of such shares is

Table of Contents

your bank, broker or other nominee, and not you. If this is the case, this joint proxy statement/prospectus has been forwarded to you by your bank, broker or other nominee. You must provide the record holder of your shares with instructions on how to vote your shares. Otherwise, your bank, broker or other nominee may not vote your shares on any of the proposals to be considered at the Patterson-UTI special meeting or the SSE special meeting, as applicable, and a broker non-vote will result.

Under the current Rules of the Nasdaq Global Select Market (the NASDAQ), banks, brokers or other nominees do not have discretionary authority to vote on any of the proposals at the Patterson-UTI special meeting. Because the only proposals for consideration at the Patterson-UTI special meeting are non-discretionary proposals, it is not expected that there will be any broker non-votes at such meeting. However, if there are any broker non-votes, they will have no effect on (i) the proposal to approve the issuance of shares of Patterson-UTI common stock to SSE stockholders in connection with the merger (assuming a quorum is present) or (ii) the proposal to approve the adjournment of the Patterson-UTI special meeting, if necessary or appropriate, to permit further solicitation of proxies.

Because the only proposals for consideration at the SSE special meeting are nondiscretionary proposals, it is not expected that there will be any broker non-votes at such meeting. However, if there are any broker non-votes, they will have (i) the same effect as a vote AGAINST the proposal to adopt the merger agreement, (ii) no effect on the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger and (iii) no effect on the proposal to approve the adjournment of the SSE special meeting, if necessary or appropriate, to permit further solicitation of proxies.

Please follow the voting instructions provided by your bank, broker or other nominee so that it may vote your shares on your behalf. Please note that you may not vote shares held in street name by returning a proxy card directly to Patterson-UTI or SSE or by voting in person at the special meeting unless you first obtain a legal proxy from your bank, broker or other nominee.

Q: What will happen if I fail to vote or I abstain from voting?

A: *Patterson-UTI Stockholders*: Assuming a quorum is present, if you fail to attend the Patterson-UTI special meeting in person and do not vote by proxy, it will not have any effect on the vote for the proposals; however, if you attend the Patterson-UTI special meeting and abstain or mark your proxy or voting instructions to abstain, it will have the same effect as a vote AGAINST (i) the proposal to approve the issuance of shares of Patterson-UTI common stock to SSE stockholders in connection with the merger, and (ii) the proposal to approve the adjournment of the Patterson-UTI special meeting, if necessary or appropriate, to permit further solicitation of proxies.

SSE Stockholders: Assuming a quorum is present, if you fail to attend the SSE special meeting in person and do not vote by proxy, it will have (i) the same effect as a vote AGAINST the proposal to adopt the merger agreement, (ii) no effect on the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger and (iii) no effect on the proposal to approve the adjournment of the SSE special meeting, if necessary or appropriate, to permit further solicitation of proxies.

If you attend the SSE special meeting and abstain or mark your proxy or voting instructions to abstain, it will have the same effect as a vote AGAINST (i) the proposal to adopt the merger agreement, (ii) the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to SSE s named executive officers based on or otherwise related to the proposed transactions and (iii) the proposal to approve the adjournment of the SSE special meeting, if necessary or appropriate, to permit further solicitation of proxies.

Q: What will happen if I return my proxy card without indicating how to vote?

A: *Patterson-UTI Stockholders*: If you properly complete and sign your proxy card but do not indicate how your shares of Patterson-UTI common stock should be voted on a proposal, the shares of Patterson-UTI

Table of Contents

common stock represented by your proxy will be voted as the Patterson-UTI board of directors recommends and, therefore, FOR (i) the proposal to approve the issuance of shares of Patterson-UTI common stock to SSE stockholders in connection with the merger and (ii) the proposal to approve the adjournment of the Patterson-UTI special meeting, if necessary or appropriate, to permit further solicitation of proxies.

SSE Stockholders: If you properly complete and sign your proxy card but do not indicate how your shares of SSE common stock should be voted on a proposal, the shares of SSE common stock represented by your proxy will be voted as the SSE board of directors recommends and, therefore, FOR (i) the proposal to adopt the merger agreement, (ii) the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger and (iii) the proposal to approve the adjournment of the SSE special meeting, if necessary or appropriate, to permit further solicitation of proxies.

Q: Can I change my vote or revoke my proxy after I have returned a proxy or voting instruction card?

A: Yes.

If you are the record holder of either Patterson-UTI or SSE common stock: You can change your vote or revoke your proxy at any time before your proxy is voted at the applicable special meeting. You can do this by:

- timely delivering a signed written notice of revocation;
- timely delivering a new, valid proxy bearing a later date (including by telephone or through the internet); or
- attending the special meeting and voting in person, which will automatically cancel any proxy previously given, or revoking your proxy in person.

Simply attending the Patterson-UTI special meeting or the SSE special meeting without voting will not revoke any proxy that you have previously given or change your vote.

If you choose either of the first two methods, your notice of revocation or your new proxy must be received by the Secretary of Patterson-UTI or SSE, as applicable, no later than the beginning of the applicable special meeting.

Regardless of the method used to deliver your previous proxy, you may revoke your proxy by any of the above methods.

If you hold shares of either Patterson-UTI or SSE in street name : If your shares are held in street name, you must contact your bank, broker or other nominee to change your vote.

Q: What are the material U.S. federal income tax consequences of the merger to U.S. holders of SSE common stock?

A: The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Code). It is a condition to Patterson-UTI s obligation to complete the merger that Patterson-UTI receive an opinion of Vinson & Elkins LLP, counsel to Patterson-UTI, to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code, and it is a condition to SSE s obligation to complete the merger that SSE receive an opinion of Wachtell, Lipton, Rosen & Katz, special counsel to SSE, to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. If the merger so qualifies, a U.S. holder (as defined under Material U.S. Federal Income Tax Consequences) of SSE common stock generally will not recognize any gain or loss for U.S. federal income tax purposes upon the exchange of shares of SSE common stock for shares of Patterson-UTI common stock pursuant to the merger, except with respect to cash received in lieu of fractional shares of Patterson-UTI common stock. For further information, see Material U.S. Federal Income Tax Consequences beginning on page 149.

Your tax consequences will depend on your individual situation. Accordingly, please consult your own tax advisor for a full understanding of the particular tax consequences of the merger to you.

Q: When do you expect the merger to be completed?

A: Patterson-UTI and SSE hope to complete the merger as soon as reasonably possible and expect the closing of the merger to occur late in the first quarter or early in the second quarter of 2017. However, the merger is subject to the satisfaction or waiver of other conditions, and it is possible that factors outside the control of Patterson-UTI and SSE could result in the merger being completed at an earlier time, a later time or not at all.

Q: What happens if the merger is not completed?

A: If the issuance of Patterson-UTI common stock in the merger is not approved by Patterson-UTI stockholders or if the merger is not completed for any other reason, SSE stockholders will not receive any form of consideration for the SSE common stock they own in connection with the merger. In certain circumstances, SSE or Patterson-UTI may be required to pay up to $7,500,000 of the other party s expenses, SSE may be required to pay Patterson-UTI a termination fee of $40,000,000, or Patterson-UTI may be required to pay SSE a termination fee of either $40,000,000 or $100,000,000. For a discussion of these and other rights of each of Patterson-UTI and SSE to terminate the merger agreement, see The Merger Agreement Termination Fees and Expenses beginning on page 142.

Q: Do I need to do anything with my shares of common stock other than vote for the proposals at the special meeting?

A: *Patterson-UTI Stockholders*: If you are a Patterson-UTI stockholder, after the merger is completed, you are not required to take any action with respect to your shares of Patterson-UTI common stock.

SSE Stockholders: If you are a SSE stockholder, after the merger is completed, each share of SSE common stock that you hold will be converted automatically into the right to receive a number of shares of Patterson-UTI common stock equal to the exchange ratio together with cash (without interest) in lieu of any fractional shares, as applicable. You do not need to take any action at this time. A letter of transmittal and instructions for the surrender of SSE common stock certificates, or in the case of book entry shares, the surrender of such shares, will be mailed to SSE stockholders shortly after the completion of the merger.

Q: Are stockholders entitled to appraisal rights?

A: The holders of Patterson-UTI common stock are not entitled to appraisal rights in connection with the merger under Delaware law. SSE stockholders are entitled to appraisal rights under Section 262 of the General Corporation Law of the State of Delaware (the DGCL), provided they satisfy the special criteria and conditions set forth in Section 262 of the DGCL. SSE common stock held by stockholders that do not vote for approval of the merger and make a demand for appraisal in accordance with Delaware law will not be converted into Patterson-UTI common stock, but will be converted into the right to receive from the combined company consideration determined in accordance with Delaware law.

For more information regarding appraisal rights, see The Merger Appraisal Rights beginning on page 116. In addition, a copy of Section 262 of the DGCL is attached to this joint proxy statement/prospectus as Annex E.

Q: What happens if I transfer my shares of SSE common stock before the SSE special meeting?

A: The record date for the SSE special meeting is earlier than the date of the SSE special meeting and the date that the merger is expected to be completed. If you transfer your shares of SSE common stock after the SSE record date but before the SSE special meeting, you will retain your right to vote at the SSE special meeting, but will have transferred the right to receive the merger consideration in the merger. In order to receive the merger consideration, you must hold your shares through the effective date of the merger.

Table of Contents

Q: What does it mean if I receive more than one set of materials?

A: This means you own shares of both Patterson-UTI and SSE common stock or you own shares of Patterson-UTI or SSE common stock that are registered under different names. For example, you may own some shares directly as a stockholder of record and other shares through a bank, broker or other nominee or you may own shares through more than one bank, broker or other nominee. In these situations, you will receive multiple sets of proxy materials. You must complete, sign and return all of the proxy cards or follow the instructions for any alternative voting procedure on each of the voting instruction forms you receive in order to vote all of the shares of Patterson-UTI and/or SSE common stock that you own. Each proxy card you receive will come with its own self-addressed, stamped envelope; if you submit your proxy by mail, make sure you return each proxy card in the return envelope that accompanied that proxy card.

Q: How can I find out more information?

A: For more information about Patterson-UTI and SSE, see the section titled Where You Can Find More Information beginning on page 250.

Q: Who can help answer my questions?

A: Patterson-UTI stockholders who have questions about the merger, the other matters to be voted on at the special meetings or how to submit a proxy, or desire additional copies of this joint proxy statement/prospectus or additional proxy cards should contact:

Georgeson LLC

1290 Avenue of the Americas, 9^{th} Floor

New York, New York 10104

(800) 891-3214

SSE stockholders who have questions about the merger, the other matters to be voted on at the special meetings or how to submit a proxy, or desire additional copies of this joint proxy statement/prospectus or additional proxy cards should contact:

Seventy Seven Energy Inc.

777 NW 63rd Street

Oklahoma City, Oklahoma 73116

(405) 608-7777

Attn: Investor Relations

Table of Contents

SUMMARY

This summary highlights information contained elsewhere in this joint proxy statement/prospectus and may not contain all the information that is important to you with respect to the merger and the other matters being considered at the Patterson-UTI and SSE special meetings. Patterson-UTI and SSE urge you to read the remainder of this joint proxy statement/prospectus carefully, including the attached Annexes, and the other documents to which we have referred you. See also the section titled Where You Can Find More Information beginning on page 250. We have included page references in this summary to direct you to a more complete description of the topics presented below.

The Companies

Patterson-UTI Energy, Inc.

Patterson-UTI Energy, Inc., a Delaware corporation, is a Houston, Texas-based oilfield services company that owns and operates in the United States one of the largest fleets of land-based drilling rigs and a large fleet of pressure pumping equipment. Patterson-UTI s contract drilling business operates in the continental United States and western Canada. Patterson-UTI provides pressure pumping services to oil and natural gas operators primarily in Texas and the Appalachian region. Patterson-UTI also owns and invests in oil and natural gas assets that are primarily located in Texas and New Mexico as a non-operating working interest owner. Patterson-UTI, through its Warrior Rig Technologies subsidiary, provides pipe handling components and related technology to drilling contractors around the world. As of September 30, 2016, Patterson-UTI had a drilling fleet that included 161 APEX® rigs. As of September 30, 2016, Patterson-UTI had approximately 1.1 million hydraulic horsepower to provide pressure pumping services.

Patterson-UTI s common stock is traded on the Nasdaq Global Select Market under the symbol PTEN.

The principal executive offices of Patterson-UTI are located at 10713 West Sam Houston Parkway North, Suite 800, Houston, Texas 77064, and Patterson-UTI s telephone number is (281) 765-7100. Additional information about Patterson-UTI and its subsidiaries is included in documents incorporated by reference into this joint proxy statement/prospectus. See Where You Can Find More Information on page 250.

Seventy Seven Energy Inc.

Seventy Seven Energy Inc., a Delaware corporation, is an Oklahoma City, Oklahoma-based independent oilfield services company that provides a wide range of wellsite services and equipment to U.S. land-based exploration and production customers operating in unconventional resource plays. SSE offers services and equipment that are strategic to its customers oil and natural gas operations. SSE s services include drilling, hydraulic fracturing and oilfield rentals. SSE s operations are geographically diversified across many of the most active oil and natural gas plays in the onshore United States, including the Anadarko and Permian Basins and the Eagle Ford, Haynesville, Marcellus, Niobrara and Utica Shales. On June 30, 2014, SSE separated from Chesapeake Energy Corporation (CHK) in a series of transactions, which is referred to in this joint proxy statement/prospectus as the spin-off. Prior to the spin-off, SSE was an Oklahoma limited liability company operating under the name Chesapeake Oilfield Operating, L.L.C. and an indirect, wholly-owned subsidiary of CHK.

SSE s common stock is traded on the OTC Market Group Inc. s OTC Grey market (the OTC Grey) under the symbol SVNT.

The principal executive offices of SSE are located at 777 NW 63rd St., Oklahoma City, Oklahoma 73116, and SSE s telephone number is (405) 608-7777.

Pyramid Merger Sub, Inc.

Pyramid Merger Sub, Inc., a wholly owned subsidiary of Patterson-UTI, is a Delaware corporation that was formed on December 7, 2016 for the sole purpose of effecting the merger. In the merger, Merger Sub will be merged with and into SSE, with SSE surviving the merger as a wholly owned subsidiary of Patterson-UTI.

The Meetings

The Patterson-UTI Special Meeting (see page 59)

The special meeting of Patterson-UTI stockholders will be held at Patterson-UTI s executive offices at 10713 West Sam Houston Parkway North, Suite 800, Houston, Texas 77064 on , at , local time. The special meeting of Patterson-UTI stockholders is being held to consider and vote on:

- a proposal to approve the issuance of shares of Patterson-UTI common stock to SSE stockholders in connection with the merger;

- a proposal to approve the adjournment of the Patterson-UTI special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the first proposal listed above.

Completion of the merger is conditioned on approval by Patterson-UTI stockholders of the issuance of Patterson-UTI common stock pursuant to the merger agreement.

Only record holders of shares of Patterson-UTI common stock at the close of business on , 2017, the record date for the Patterson-UTI special meeting, are entitled to notice of, and to vote at, the Patterson-UTI special meeting. At the close of business on the record date, the only outstanding voting securities of Patterson-UTI were common stock, and shares of Patterson-UTI common stock were issued and outstanding, approximately of which were owned and entitled to be voted by Patterson-UTI directors and executive officers. The Patterson-UTI directors and executive officers are currently expected to vote their shares in favor of each Patterson-UTI proposal listed above.

With respect to each Patterson-UTI proposal listed above, Patterson-UTI stockholders may cast one vote for each share of Patterson-UTI common stock that they own as of the Patterson-UTI record date. The proposal to approve the issuance of Patterson-UTI common stock requires the affirmative vote of a majority of the shares of Patterson-UTI common stock, present in person or represented by proxy at the Patterson-UTI special meeting and entitled to vote thereon. The proposal to approve the adjournment of the Patterson-UTI special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of a majority of the shares of Patterson-UTI common stock, present in person or represented by proxy at the Patterson-UTI special meeting and entitled to vote on the proposal, regardless of whether there is a quorum.

No business may be transacted at the Patterson-UTI special meeting unless a quorum is present. If a quorum is not present at the special meeting, or if a quorum is present at the special meeting but there are not sufficient votes at the time of the special meeting to approve the proposal to issue shares of Patterson-UTI common stock in connection with the merger, then the chairman of the meeting has the power to adjourn the meeting, or, alternatively, Patterson-UTI stockholders may be asked to vote on a proposal to adjourn the Patterson-UTI special meeting in order to permit the further solicitation of proxies. No notice of an adjourned meeting need be given unless the date, time and place of the resumption of the meeting are not announced at the adjourned meeting, the adjournment is for more than 30 days or, if after the adjournment, a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Reasons for the Merger; Recommendation of the Patterson-UTI Board of Directors (see page 59)

The Patterson-UTI board of directors unanimously approved the merger agreement, the merger and the other transactions contemplated by the merger agreement, and declared the merger agreement, the merger and the other transactions contemplated by the merger agreement (including the issuance of shares of Patterson-UTI common stock to SSE stockholders in connection with the merger) to be advisable and fair to and in the best interests of Patterson-UTI stockholders. **The Patterson-UTI board of directors unanimously recommends that Patterson-UTI stockholders vote FOR the proposal to approve the issuance of Patterson-UTI common stock pursuant to the merger agreement and FOR the proposal to approve the adjournment of the Patterson-UTI special meeting to a later date or dates, if necessary or appropriate to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the issuance of shares of Patterson-UTI common stock.** For more information regarding the factors considered by the Patterson-UTI board of directors in reaching its decisions relating to its recommendation, see the section titled The Merger Patterson-UTI s Reasons for the Merger; Recommendation of the Patterson-UTI Board of Directors.

Opinion of Patterson-UTI s Financial Advisor (see page 82)

Patterson-UTI engaged Piper Jaffray & Co., through its Simmons & Company International division (referred to as Piper Jaffray), to act as financial advisor in connection with the transactions contemplated by the merger agreement. On December 12, 2016, Piper Jaffray delivered to the Patterson-UTI board of directors its oral opinion, confirmed by its delivery of a written opinion dated December 12, 2016, that, as of the date thereof, and based upon and subject to the assumptions, procedures, factors, qualifications, limitations and other matters set forth in Piper Jaffray s written opinion, the up to 49,559,000 shares of Patterson-UTI common stock to be issued for all outstanding shares of SSE pursuant to the merger agreement was fair, from a financial point of view, to Patterson-UTI.

The full text of Piper Jaffray s written opinion dated December 12, 2016, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of review undertaken by Piper Jaffray in delivering its opinion, is attached as Annex C to this proxy statement/prospectus and is incorporated herein by reference in its entirety.

Piper Jaffray s opinion was addressed to, and provided for the information and benefit of, the Patterson-UTI board of directors and was delivered to the Patterson-UTI board of directors in connection with its evaluation of the fairness of the merger consideration from a financial point of view, to Patterson-UTI, and did not address any other aspects or implications of the transactions contemplated by the merger agreement. Piper Jaffray s opinion does not constitute a recommendation to the Patterson-UTI board of directors or to any other persons in respect of the transactions contemplated by the merger agreement, including as to how any holder of Patterson-UTI common stock should vote or act with respect to the proposal to adopt any other matter. Piper Jaffray s opinion did not address the relative merits of the transactions contemplated by the merger agreement compared to other business or financial strategies that might be available to Patterson-UTI, nor did it address the underlying business decision of Patterson-UTI to enter into the merger agreement or to consummate the transactions contemplated by the merger agreement.

For a more complete discussion of Piper Jaffray s opinion, see The Merger Opinion of Patterson-UTI s Financial Advisor beginning on page 82**.**

Table of Contents

The SSE Special Meeting (see page 64)

The special meeting of SSE stockholders will be held at SSE s executive offices at 777 N.W. 63rd Street, Oklahoma City, Oklahoma 73116, on , 2017, at , local time. The special meeting of SSE stockholders is being held in order to consider and vote on:

- a proposal to adopt the merger agreement, which is further described in the sections titled The Merger and The Merger Agreement, beginning on pages 69 and 121, respectively;

- a proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger; and

- a proposal to approve the adjournment of the SSE special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the first proposal above.

Completion of the merger is conditioned on approval and adoption of the merger agreement and the transactions contemplated by the merger agreement, including the merger, by the SSE stockholders. The proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger is a vote separate and apart from the vote on the proposal to adopt the merger agreement. Accordingly, a SSE stockholder may vote to approve one proposal and not the other. Because the vote on the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger is advisory in nature only, it will not be binding on SSE or Patterson-UTI, and the approval of that proposal is not a condition to the completion of the merger.

Only record holders of shares of SSE common stock at the close of business on , 2017, the record date for the SSE special meeting, are entitled to notice of, and to vote at, the SSE special meeting. At the close of business on the record date, the only outstanding voting securities of SSE were common stock, and shares of SSE common stock were issued and outstanding and entitled to vote at the SSE special meeting, approximately of which were owned and entitled to be voted by SSE directors and executive officers. The SSE directors and executive officers are currently expected to vote their shares in favor of each of the SSE proposals listed above.

In connection with the execution of the merger agreement, certain affiliates of Axar Capital Management, LLC, BlueMountain Capital Management, LLC and Mudrick Capital Management, L.P. have entered into voting and support agreements with Patterson-UTI, pursuant to which each such stockholder agreed to vote all of its shares of SSE common stock in favor of the adoption of the merger agreement and against, among other things, alternative transactions. As of the date of this joint proxy statement/prospectus, those stockholders hold and are entitled to vote in the aggregate approximately 59% of the issued and outstanding shares of SSE common stock entitled to vote at the SSE special meeting. In the event that SSE s board of directors changes its recommendation that SSE stockholders adopt the merger agreement, such stockholders, taken together, will be required to vote shares that, in the aggregate, represent 39.99% of the issued and outstanding shares of SSE common stock on such proposal, with each such stockholder being able to vote the balance of its shares of SSE common stock on such proposal in such stockholder s sole discretion. See The Merger Agreement Voting and Support Agreements beginning on page 144 for more information.

With respect to each SSE proposal listed above, SSE stockholders may cast one vote for each share of SSE common stock that they own as of the SSE record date. The proposal to adopt the merger agreement requires the affirmative vote of a majority of the outstanding shares of SSE common stock entitled to vote thereon. The proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger requires the affirmative vote of a majority of the voting power of the outstanding shares present in person or represented by proxy at the special meeting and entitled to vote thereon, assuming a quorum is present. The proposal to approve adjournment of the SSE special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of a majority of the voting power of the outstanding shares present in person or represented by proxy at the special meeting and entitled to vote thereon, regardless of whether there is a quorum.

No business may be transacted at the SSE special meeting unless a quorum is present. If a quorum is not present, or if fewer shares are voted in favor of the proposal to adopt the merger agreement, than is required, then the chairman of the meeting has the power to adjourn the meeting, or, alternatively, SSE stockholders may be asked to vote on a proposal to adjourn the SSE special meeting in order to permit the further solicitation of proxies. No notice of an adjourned meeting need be given unless the date, time and place of the resumption of the meeting are not announced at the adjourned meeting, the adjournment is for more than 30 days, or, if after the adjournment, a new record date is fixed for the adjourned meeting, in which cases a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Reasons for the Merger; Recommendation of the SSE Board of Directors (see page 64)

The SSE board of directors unanimously approved the merger agreement, the merger and the other transactions contemplated by the merger agreement, and declared the merger agreement, the merger and the other transactions contemplated by the merger agreement to be advisable and fair to and in the best interests of SSE stockholders. **The SSE board of directors unanimously recommends that SSE stockholders vote FOR the proposal to adopt the merger agreement, FOR the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger and FOR the proposal to approve the adjournment of the SSE special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to adopt the merger agreement.** For more information regarding the factors considered by the SSE board of directors in reaching its decision to recommend the approval of the merger agreement, see the section titled The Merger SSE s Reasons for the Merger; Recommendation of the SSE Board of Directors.

Opinion of SSE s Financial Advisor (see page 94)

SSE retained Morgan Stanley & Co. LLC, which we refer to in this joint proxy statement/prospectus as Morgan Stanley, in connection with the merger. On December 12, 2016, Morgan Stanley rendered to the SSE board of directors its oral opinion, subsequently confirmed in writing on December 12, 2016, that, as of such date and based upon and subject to the various assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of the review undertaken by Morgan Stanley as set forth in its written opinion, the consideration to be received by SSE stockholders pursuant to the merger agreement was fair, from a financial point of view, to the holders of SSE common stock. The full text of Morgan Stanley s written opinion dated as of December 12, 2016, to the SSE board of directors, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of review undertaken by Morgan Stanley in rendering its opinion, is attached as Annex D to, and is incorporated by reference into, this joint proxy statement/prospectus. The summary of the opinion of Morgan Stanley in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of the opinion. We encourage you to read Morgan Stanley s opinion and the summary of Morgan Stanley s opinion below carefully and in their entirety.

Morgan Stanley s opinion was rendered for the benefit of the SSE board of directors, in its capacity as such, and addressed only the fairness, from a financial point of view, of the consideration to be received by SSE stockholders pursuant to the merger agreement to the holders of SSE common stock as of the date of

Table of Contents

the opinion. Morgan Stanley s opinion does not address any of the relative merits of the transactions contemplated by the merger agreement as compared to other business or financial strategies that might be available to SSE, nor does it address the underlying business decision of SSE to enter into the merger agreement or proceed with any other transaction contemplated by the merger agreement. In addition, Morgan Stanley s opinion does not in any manner address the prices at which Patterson-UTI common stock will trade following the consummation of the merger or at any time. The opinion was addressed to, and rendered for the benefit of, the SSE board of directors and was not intended to, and does not, constitute advice or a recommendation to any holder of SSE common stock as to how to vote or act on any matter with respect to the merger.

For a more complete discussion of Morgan Stanley s opinion, see The Merger Opinion of SSE s Financial Advisor beginning on page 94.

The Merger

A copy of the merger agreement is attached as Annex A to this joint proxy statement/prospectus. Patterson-UTI and SSE encourage you to read the entire merger agreement carefully because it is the principal document governing the merger. For more information on the merger agreement, see the section titled The Merger Agreement beginning on page 121.

Form of the Merger (see page 121)

Subject to the terms and conditions of the merger agreement, at the effective time, Merger Sub, a wholly owned subsidiary of Patterson-UTI that was formed for the sole purpose of effecting the merger, will merge with and into SSE. SSE will survive the merger and become a wholly owned subsidiary of Patterson-UTI.

Merger Consideration (see page 121)

Each issued and outstanding share of SSE common stock, other than shares owned by SSE and its wholly owned subsidiaries, shares owned by Patterson-UTI or Merger Sub and shares for which appraisal rights held by SSE stockholders have been perfected in compliance with Section 262 of the DGCL, will be converted into the right to receive a number of shares of Patterson-UTI common stock equal to the exchange ratio. The exchange ratio will be equal to 49,559,000 shares of Patterson-UTI common stock, divided by the total number of shares of SSE common stock outstanding or deemed outstanding immediately prior to the effective time (which includes (i) shares of SSE common stock outstanding as a result of the exercise of warrants to acquire SSE common stock, (ii) shares of SSE common stock deemed outstanding as a result of the vesting of SSE restricted stock unit awards that existed prior to the execution of the merger agreement, (iii) any shares of SSE common stock subject to perfected appraisal rights, (iv) shares of SSE common stock that underlie restricted stock unit awards that SSE issues on or after the execution of the merger agreement and (v) 50% of any shares of SSE common stock that have been tendered to SSE on or after August 1, 2016 for the purposes of satisfying tax withholding obligations upon the vesting of SSE restricted stock unit awards); *provided* that, in the event that any Series A warrants to acquire shares of SSE common stock are forfeited or net settled, such 49,559,000 shares of Patterson-UTI common stock will be reduced by a number equal to (i) the aggregate exercise price for the warrants that are forfeited or net settled, divided by (ii) the volume weighted average price of a share of Patterson-UTI common stock for the ten consecutive trading days immediately preceding the third business day prior to the closing. In no event will Patterson-UTI issue more than 49,559,000 shares of its common stock as merger consideration. Annex B of this joint proxy statement/prospectus sets forth illustrative calculations of the exchange ratio.

In addition, Patterson-UTI will not issue fractional shares of SSE common stock pursuant to the merger agreement. Instead, each SSE stockholder who otherwise would have been entitled to receive a fraction of a share of Patterson-UTI common stock will receive cash (without interest) in lieu thereof, upon surrender of his or her shares of SSE common stock. The exchange agent will aggregate and sell all fractional shares issuable as part of the merger consideration at the prevailing price on the NASDAQ. An SSE stockholder who would otherwise have received a fraction of a share of Patterson-UTI common stock will receive an amount of cash generated from such sales attributable to the stockholder s proportionate interest in the net proceeds of such sales, less expenses and without interest.

The exchange ratio will not be adjusted for changes in the market value of the common stock of SSE or Patterson-UTI. As a result, the implied value of the consideration to SSE stockholders will fluctuate between the date of this joint proxy statement/prospectus and the effective time. Based on the closing price of Patterson-UTI common stock on the NASDAQ on December 12, 2016, the last trading day before public announcement of the merger, the aggregate transaction value of the merger consideration payable to SSE stockholders was approximately $1.42 billion, assuming the issuance of 49,559,000 shares of Patterson-UTI common stock.

Treatment of SSE Incentive Plan Restricted Stock Unit Awards (see page 137)

Each SSE restricted stock unit award granted prior to December 12, 2016 that is outstanding as of immediately prior to the effective time will immediately vest, and any forfeiture restrictions applicable to all such awards will immediately lapse. Such restricted stock unit awards will be deemed settled, and shares of SSE common stock subject to such awards will be treated as shares of SSE common stock and receive the merger consideration. In addition, at the effective time, each SSE restricted stock unit award granted on or following December 12, 2016 will be assumed by Patterson-UTI and converted into a restricted stock unit award, with the same terms and conditions as in effect immediately prior to the effective time, covering a number of shares of Patterson-UTI common stock equal to (i) the number of shares of SSE common stock subject to the award immediately prior to the effective time, multiplied by (ii) the exchange ratio (discussed above), rounded to the nearest whole share.

Expected Timing of the Merger

Patterson-UTI and SSE currently expect the closing of the merger to occur late in the first quarter or early in the second quarter of 2017. However, the merger is subject to the satisfaction or waiver of conditions as described in the merger agreement, and it is possible that factors outside the control of Patterson-UTI and SSE could result in the merger being completed at an earlier time, a later time or not at all.

Conditions to Completion of the Merger (see page 138)

The respective obligations of Patterson-UTI, SSE and Merger Sub to effect the merger and otherwise consummate the transactions contemplated by the merger agreement are subject to the satisfaction or waiver of the following conditions at or before the closing date of the merger (the closing date):

effectiveness of the registration statement on Form S-4 of which this joint proxy statement/prospectus forms a part and the absence of a stop order suspending the effectiveness of such registration statement on Form S-4 or proceedings initiated or threatened by the SEC for that purpose;

adoption of the merger agreement by the affirmative vote of holders of a majority of the outstanding shares of SSE common stock entitled to vote thereon;

approval of the issuance of Patterson-UTI common stock pursuant to the merger agreement by the affirmative vote of holders of a majority of the shares present in person or represented by proxy and entitled to vote thereon;

authorization for the listing on the NASDAQ of the shares of Patterson-UTI common stock to be issued in connection with the merger, subject to official notice of issuance;

Table of Contents

- expiration or termination of any waiting periods applicable to the consummation of the merger and the other transactions contemplated by the merger agreement under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (referred to in this joint proxy statement/prospectus as the HSR Act) (on January 13, 2017, Patterson-UTI and SSE were notified by U.S. antitrust authorities that the early termination of the waiting period under the HSR Act had been granted); and

- absence of any laws, temporary restraining orders, preliminary or permanent injunctions or other orders that have the effect of making the merger illegal or otherwise prohibiting completion of the merger.

In addition, Patterson-UTI s and Merger Sub s obligations to effect the merger are subject to the satisfaction or waiver of the following additional conditions:

- each of the representations and warranties of SSE set forth in the merger agreement being true and correct as of the date of the merger agreement and as of the closing date as though made on the closing date, unless otherwise specified and subject to certain materiality thresholds;

- performance of, or compliance with, in all material respects, all covenants and obligations required to be performed or complied with by SSE under the merger agreement on or prior to the closing date;

- receipt of a certificate executed by the chief executive officer and chief financial officer of SSE, dated as of the closing date, confirming the satisfaction of the conditions described in the preceding two bullet points;

- receipt by Patterson-UTI of a tax opinion from its counsel, dated as of the closing date, that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code;

- SSE or any of its subsidiaries not incurring one or more material losses the value of which exceed, or would reasonably be expected to exceed, individually or in the aggregate, $100 million during the pre-closing period; and

- the indebtedness less cash and cash equivalents (the net debt) of SSE and its subsidiaries not exceeding $500 million and SSE furnishing to Patterson-UTI and Merger Sub a certificate executed by the chief executive officer and chief financial officer of SSE, dated as of the closing date, confirming that the net debt of SSE and its subsidiaries as of the closing date does not exceed $500 million and setting forth SSE s calculation of the net debt of SSE and its subsidiaries.

In addition, SSE s obligations to effect the merger is subject to the satisfaction or waiver of the following additional conditions:

- each of the representations and warranties of Patterson-UTI set forth in the merger agreement being true and correct as of the date of the merger agreement and as of the closing date as though made on the closing date, unless otherwise specified and subject to certain materiality thresholds;

performance of, or compliance with, in all material respects, all covenants and obligations required to be performed or complied with by Patterson-UTI under the merger agreement on or prior to the closing date;

receipt by SSE of a certificate executed by the chief executive officer and chief financial officer of Patterson-UTI, dated as of the closing date, confirming the satisfaction of the conditions described in the preceding two bullet points;

receipt by SSE of a tax opinion from its special counsel, dated as of the closing date, that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code;

Patterson-UTI or any of its subsidiaries not incurring one or more material losses the value of which exceed, or would reasonably be expected to exceed, individually or in the aggregate, $300 million during the pre-closing period; and the net debt of Patterson-UTI and its subsidiaries not exceeding $725 million plus any indebtedness incurred to refinance SSE s existing indebtedness or pay transaction costs, and Patterson-UTI furnishing to SSE a certificate executed by the chief executive officer and chief financial officer of Patterson-UTI, dated as of the closing date, confirming that the net debt of Patterson-UTI and its subsidiaries as of the closing date does not exceed $725 million plus any indebtedness incurred to refinance SSE s existing indebtedness or pay transaction costs.

Debt Financing (see page 130)

In connection with the merger, Patterson-UTI entered into a financing commitment letter with Canyon Capital Advisors LLC for a senior unsecured bridge facility in an aggregate principal amount not to exceed $150 million for the purposes of repaying or redeeming certain of SSE and its subsidiaries indebtedness and to pay related fees and expenses. Any undrawn commitments under the bridge facility will automatically terminate on the closing date. Patterson-UTI may issue debt securities or equity, incur bank loans or consummate other financings or use cash on hand in lieu of drawing all or a portion of the bridge loan committed to be funded under the bridge facility.

No Solicitation of Competing Proposals (see page 131)

The merger agreement generally precludes SSE from, directly or indirectly, (i) soliciting, initiating, facilitating, knowingly encouraging or inducing or taking any action that could be reasonably expected to lead to the making, submission or announcement of a proposal competing with the transactions contemplated by the merger agreement, (ii) furnishing any nonpublic information regarding SSE or its subsidiaries to any third party in connection with or in response to a proposal competing with the transactions contemplated by the merger agreement, (iii) engaging in discussions or negotiations with any third party with respect to a proposal competing with the transactions contemplated by the merger agreement, (iv) approving, endorsing, or recommending a proposal competing with the transactions contemplated by the merger agreement or (v) entering into any agreement contemplating or otherwise relating to a proposal competing with the transactions contemplated by the merger agreement. However, if SSE receives a proposal meeting certain requirements from a third party, and the SSE board of directors determines in good faith, after consultation with its outside legal counsel and its outside financial advisor, that such competing proposal is or is reasonably likely to result in a superior proposal, and that the failure to take such action would be inconsistent with its fiduciary duties under applicable legal requirements, SSE may furnish non-public information to, and engage in discussions or negotiations with, that third party regarding such competing proposal. See the section titled The Merger Agreement No Solicitation of Competing Proposals.

In addition, the merger agreement generally precludes Patterson-UTI from, directly or indirectly, (i) soliciting, initiating, facilitating, knowingly encouraging or inducing or taking any action that could be reasonably expected to lead to the making, submission or announcement of a proposal competing with the transactions contemplated by the merger agreement, (ii) furnishing any nonpublic information regarding Patterson-UTI or its subsidiaries to any third party in connection with or in response to a proposal competing with the transactions contemplated by the merger agreement, (iii) engaging in discussions or negotiations with any third party with respect to a proposal competing with the transactions contemplated by the merger agreement, (iv) approving, endorsing, or recommending a proposal competing with the transactions contemplated by the merger agreement or (v) entering into any agreement contemplating or otherwise relating to a proposal competing with the transactions contemplated by the merger agreement. However, if Patterson-UTI receives a proposal meeting certain requirements from a third party, and the Patterson-UTI board of directors determines in good faith, after consultation with its outside legal counsel and its outside financial advisor, that such competing proposal is or is reasonably likely to result in a superior proposal, and that the failure to take such action would be inconsistent with its fiduciary duties under applicable legal requirements, Patterson-UTI may furnish

Table of Contents

non-public information to, and engage in discussions or negotiations with, that third party regarding such competing proposal. See the section titled The Merger Agreement No Solicitation of Competing Proposals.

Changes in Board Recommendations (see page 134)

The merger agreement generally provides that, subject to the exceptions described below, SSE may not change its recommendation that SSE stockholders adopt the merger agreement, and Patterson-UTI may not change its recommendation that Patterson-UTI stockholders approve the issuance of Patterson-UTI common stock in the merger.

However, notwithstanding the foregoing, the merger agreement provides that, prior to obtaining SSE stockholder approval of the merger and in response to a bona fide competing proposal that did not result from a material breach of the non-solicitation covenants and certain related covenants, SSE may effect a change of recommendation after satisfaction of certain conditions set forth under The Merger Agreement Changes in Board Recommendations. In addition, the merger agreement provides that, prior to obtaining SSE stockholder approval of the merger and in response to an intervening event with respect to SSE, SSE may effect a change of recommendation after satisfaction of certain conditions set forth under The Merger Agreement Changes in Board Recommendations.

The merger agreement also provides that, prior to obtaining Patterson-UTI stockholder approval of the proposed issuance of Patterson-UTI common stock in the merger and in response to a bona fide competing proposal that did not result from a material breach of the non-solicitation covenants and certain related covenants or an intervening event with respect to Patterson-UTI, the Patterson-UTI board of directors or any committee thereof may effect a change of recommendation after satisfaction of certain conditions set forth under The Merger Agreement Changes in Board Recommendations.

Termination of the Merger Agreement (see page 140)

The merger agreement may be terminated prior to the effective time under the following circumstances:

- by mutual written consent of Patterson-UTI and SSE;
- by either Patterson-UTI or SSE:
  - if the merger is not consummated by on or before 5:00 p.m. Central Time on June 30, 2017 (or August 31, 2017 in the event such date is extended as provided for in the merger agreement), unless the failure to close by that date is due to the failure of the terminating party to perform any of its material covenants or agreements under the merger agreement;
  - if any governmental entity issues a final and nonappealable order, or takes any other action, permanently restraining, enjoining or otherwise prohibiting the consummation of the merger or a legal requirement is in place which permanently makes the completion of the merger illegal or otherwise prohibits the consummation of the merger;

if the SSE stockholders fail to adopt the merger agreement at the SSE special meeting; or

if the Patterson-UTI stockholders fail to approve the issuance of Patterson-UTI common stock in the merger at the Patterson-UTI special meeting;

by Patterson-UTI:

prior to obtaining approval of the SSE stockholders, if (i) the SSE board of directors makes a change of recommendation, (ii) SSE fails to include the SSE board recommendation in this joint proxy statement/prospectus or (iii) SSE, its subsidiaries, any SSE directors or officers, any stockholders party to the voting agreements or any designated representative of SSE materially violates or breaches the non-solicitation covenants of the merger agreement;

Table of Contents

if (i) SSE s representations and warranties were inaccurate as of the date of the merger agreement such that the condition regarding the accuracy of SSE s representations in the merger agreement would not be satisfied, (ii) SSE s representations and warranties become inaccurate as of a date subsequent to the date of the merger agreement, such that the condition regarding the accuracy of SSE s representations in the merger agreement would not be satisfied, or (iii) SSE breaches any of its covenants, such that the condition regarding SSE s covenants in the merger agreement would not be satisfied;

by SSE:

prior to obtaining approval of the Patterson-UTI stockholders, if (i) the Patterson-UTI board of directors makes a change of recommendation, (ii) Patterson-UTI fails to include the Patterson-UTI board recommendation in this joint proxy statement/prospectus or (iii) Patterson-UTI, its subsidiaries, any Patterson-UTI directors or officers or any designated representative of Patterson-UTI materially violates or breaches the non-solicitation or stockholder meeting covenants of the merger agreement;

if (i) Patterson-UTI s representations and warranties were inaccurate as of the date of the merger agreement such that the condition regarding the accuracy of Patterson-UTI s representations in the merger agreement would not be satisfied, (ii) Patterson-UTI s representations and warranties become inaccurate as of a date subsequent to the date of the merger agreement, such that the condition regarding the accuracy of Patterson-UTI s representations in the merger agreement would not be satisfied, or (iii) Patterson-UTI breaches any of its covenants, such that the condition regarding Patterson-UTI s covenants in the merger agreement would not be satisfied.

Termination Fees and Expenses (see page 142)

Generally, all fees and expenses incurred in connection with the merger agreement and the transactions contemplated by the merger agreement will be paid by the party incurring those expenses, subject to the specific exceptions discussed in this joint proxy statement/prospectus. In certain circumstances, SSE or Patterson-UTI may be required to pay up to $7,500,000 of the other party s expenses, SSE may be required to pay Patterson-UTI a termination fee of $40,000,000, or Patterson-UTI may be required to pay SSE a termination fee of either $40,000,000 or $100,000,000. See the section titled The Merger Agreement Termination Fees and Expenses beginning on page 142 for a discussion of the circumstances under which such termination fee will be required to be paid.

Comparison of Stockholder Rights and Corporate Governance Matters (see page 166)

The governing corporate documents of SSE differ from the governing corporate documents of Patterson-UTI. As a result, SSE stockholders that receive Patterson-UTI common stock as merger consideration will have different rights once they become stockholders of Patterson-UTI. These differences are described in detail under the section titled Comparison of Rights of Patterson-UTI Stockholders and SSE Stockholders.

Listing of Patterson-UTI Common Stock; Halting of Trading of SSE Common Stock (see page 116)

It is a condition to the completion of the merger that the shares of Patterson-UTI common stock to be issued to SSE stockholders be authorized for listing on the NASDAQ at the effective time, subject to official notice of issuance. Upon completion of the merger, shares of SSE common stock will cease to be traded on the OTC Grey.

Interests of SSE Directors and Executive Officers in the Merger (see page 109)

SSE s directors and executive officers have interests in the merger that may be different from, or in addition to, the interests of the SSE stockholders generally. The members of the SSE board of directors were aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending that SSE stockholders adopt the merger agreement.

These interests include, among others:

- Each SSE executive officer is a party to an employment agreement with SSE that would provide that executive with potential compensation and benefits in the event that the executive is involuntarily terminated in connection with the merger.

- SSE s directors and executive officers hold equity compensation plan awards under the Seventy Seven Energy Inc. 2016 Omnibus Incentive Plan (the SSE Incentive Plan), the vesting of which will be accelerated as a result of the merger, in accordance with the terms of those awards and the merger agreement.

- SSE s directors and executive officers are entitled to continued indemnification and insurance coverage under the merger agreement, as more fully described in The Merger Agreement Indemnification and Insurance beginning on page 138.

In addition, the SSE board of directors has adopted a resolution providing that the disposition of SSE shares by SSE s officers and directors in exchange for Patterson-UTI shares in the merger is intended to be exempt from liability pursuant to Section 16(b) of the Exchange Act.

Regulatory Clearances Required to Complete the Transactions (see page 114)

Consummation of the merger is subject to the expiration or termination of any applicable waiting period under the HSR Act. On January 3, 2017, Patterson-UTI and SSE filed Notification and Report Forms with the Antitrust Division of the Department of Justice and the Federal Trade Commission, which is referred to as the FTC. On January 13, 2017, Patterson-UTI and SSE were notified by the FTC that the early termination of the waiting period under the HSR Act had been granted. See The Merger Regulatory Clearances Required for the Merger.

Board of Directors and Executive Management Following the Merger (see page 114)

Following the completion of the merger, it is anticipated that the Patterson-UTI board of directors will have seven members, consisting of the seven individuals currently serving on the Patterson-UTI board of directors as of the date of this joint proxy statement/prospectus.

Following the completion of the merger, it is anticipated that each of the Patterson-UTI executive officers will continue to serve in their current positions and under the same compensation plans and arrangements that were in place prior to the merger.

Appraisal Rights (see page 116)

The holders of Patterson-UTI common stock are not entitled to appraisal rights in connection with the merger under Delaware law.

The holders of SSE common stock are entitled to appraisal rights in connection with the merger under Delaware law. SSE common stock held by stockholders that do not vote for approval of the merger and make a demand for appraisal in accordance with Delaware law will not be converted into Patterson-UTI common stock, but will be converted into the right to receive from the combined company consideration determined in accordance with Delaware law.

Table of Contents

Exchange of Shares in the Merger (see page 122)

On or prior to the effective time, Patterson-UTI will enter into an agreement with a bank or trust company reasonably acceptable to SSE to act as agent for the holders of SSE common stock in connection with the merger and to receive the merger consideration and cash sufficient to pay cash (without interest) in lieu of fractional shares to which holders of fractional shares may become entitled. At the effective time, each share of SSE common stock outstanding immediately prior to the effective time, other than shares owned by SSE and its wholly owned subsidiaries, shares owned by Patterson-UTI or Merger Sub and shares for which appraisal rights held by SSE stockholders have been perfected, will be converted into the right to receive a number of shares of Patterson-UTI common stock equal to the exchange ratio (as defined above).

Promptly after the effective time, but in no event later than three business days after the closing date, Patterson-UTI will cause the exchange agent to mail to each holder of SSE common stock a letter of transmittal specifying, among other things, that delivery will be effected, and risk of loss and title to any certificates shall pass, only upon proper delivery of such certificates to the exchange agent, or in the case of book entry shares, upon adherence to the procedures set forth in the letter of transmittal and instructions explaining the procedure for surrendering SSE stock certificates in exchange for shares of Patterson-UTI common stock or, in the case of book entry shares, the surrender of such shares for payment of the merger consideration.

After the effective time, shares of SSE common stock, including shares for which appraisal rights held by SSE stockholders have been perfected, will no longer be outstanding. At the effective time, all such shares will be automatically canceled and will cease to exist, and each certificate or book entry share, if any, that previously represented shares of SSE common stock (other than shares for which appraisal rights have been perfected) will represent only the right to receive the merger consideration as described above, any cash (without interest) in lieu of fractional shares of Patterson-UTI common stock and any dividends or other distributions to which the holders of the certificates become entitled upon surrender of such certificates or book entry shares. Any shares of SSE common stock for which appraisal rights have been perfected will represent the right to payment of the fair value of such shares in accordance with the provisions of Section 262 of the DGCL. With respect to those shares of Patterson-UTI common stock deliverable upon the surrender of SSE stock certificates or book entry shares, until holders of such SSE stock certificates or book entry shares have surrendered those stock certificates or book entry shares to the exchange agent, those holders will not receive dividends or distributions declared or made with respect to such shares of Patterson-UTI common stock with a record date after the effective time.

SSE stockholders will not receive any fractional shares of Patterson-UTI common stock pursuant to the merger. Instead of any fractional shares, SSE stockholders will be paid an amount in cash (without interest) for such fraction of a share. The exchange agent will aggregate and sell all fractional shares issuable as part of the merger consideration at the prevailing price on the NASDAQ. An SSE stockholder who would otherwise have received a fraction of a share of Patterson-UTI common stock will receive an amount of cash generated from such sales attributable to the stockholder s proportionate interest in the net proceeds of such sales, less expenses and without interest.

Patterson-UTI stockholders need not take any action with respect to their stock certificates.

Anticipated Accounting Treatment (see page 152)

Patterson-UTI prepares its financial statements in accordance with U.S. Generally Accepted Accounting Principles (GAAP). The merger will be accounted for using the acquisition method of accounting with Patterson-UTI being considered the acquirer of SSE for accounting purposes. This means that Patterson-UTI will allocate the purchase price to the fair value of SSE s tangible and intangible assets and liabilities at the acquisition date, with the excess purchase price being recorded as goodwill. Under the acquisition method of accounting, goodwill is not amortized but is tested for impairment at least annually.

Table of Contents

Material U.S. Federal Income Tax Consequences (see page 149)

The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Code. It is a condition to Patterson-UTI s obligation to complete the merger that Patterson-UTI receive an opinion of Vinson & Elkins LLP, counsel to Patterson-UTI, to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code, and it is a condition to SSE s obligation to complete the merger that SSE receive an opinion of Wachtell, Lipton, Rosen & Katz, special counsel to SSE, to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. If the merger so qualifies, a U.S. holder (as defined under Material U.S. Federal Income Tax Consequences) of SSE common stock generally will not recognize any gain or loss for U.S. federal income tax purposes upon the exchange of shares of SSE common stock for shares of Patterson-UTI common stock pursuant to the merger, except with respect to cash received in lieu of fractional shares of Patterson-UTI common stock. For further information, see Material U.S. Federal Income Tax Consequences beginning on page 149.

Your tax consequences will depend on your individual situation. Accordingly, please consult your own tax advisor for a full understanding of the particular tax consequences of the merger to you.

Risk Factors (see page 35)

In evaluating the merger, in addition to the other information contained in this joint proxy statement/prospectus, you should carefully consider the risk factors relating to the merger and each of Patterson-UTI and SSE beginning on page 35.

Table of Contents

Summary Selected Consolidated Financial Data

Summary Selected Consolidated Historical Financial Data of Patterson-UTI

The following table sets forth Patterson-UTI s selected consolidated historical financial information that has been derived from (1) Patterson-UTI s consolidated financial statements as of December 31, 2015, 2014, 2013, 2012 and 2011 and (2) Patterson-UTI s consolidated financial statements for the nine months ended September 30, 2016 and 2015. This consolidated financial data does not include the effects of the merger. You should read this financial information in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included in Patterson-UTI s Annual Report on Form 10-K for the year ended December 31, 2015 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, each of which is incorporated into this joint proxy statement/prospectus by reference. The selected statement of operations data for the years ended December 31, 2012 and 2011 and selected balance sheet data as of December 31, 2013, 2012 and 2011 have been derived from Patterson-UTI s audited consolidated financial statements for such years, which have not been incorporated into this joint proxy statement/prospectus by reference. See Where You Can Find More Information beginning on page 250.

	Nine Months Ended September 30,		Year Ended December 31,				
	2016	2015	2015	2014	2013	2012	2011
	(in thousands, except share data)						
Statement of operations data:							
Operating revenues:							
Contract drilling	$ 407,578	$ 951,616	$ 1,153,892	$ 1,838,830	$ 1,679,611	$ 1,821,713	$ 1,669,581
Pressure pumping	248,428	580,752	712,454	1,293,265	979,166	841,771	845,803
Oil and natural gas	12,973	20,343	24,931	50,196	57,257	59,930	50,559
Total operating revenues	668,979	1,552,711	1,891,277	3,182,291	2,716,034	2,723,414	2,565,943
Operating costs and expenses:							
Contract drilling	219,218	503,376	608,848	1,066,659	968,754	1,075,491	972,778
Pressure pumping	234,580	494,078	612,021	1,036,310	744,243	580,878	561,398
Oil and natural gas	5,586	8,096	11,500	13,102	12,909	11,303	9,615
Depreciation, depletion, amortization and impairment	511,209	689,457	864,759	718,730	597,469	526,614	437,279
Impairment of goodwill		124,561	124,561				

Selling, general and administrative	51,671	58,335	74,913	80,145	73,852	64,473	64,271
Provision for bad debts						1,100	
Other operating (income) expense, net	(10,285)	4,984	1,647	(15,781)	(3,384)	(33,806)	(4,999)
Total operating costs and expenses	1,011,979	1,882,887	2,298,249	2,899,165	2,393,843	2,226,053	2,040,342
Operating income (loss)	(343,000)	(330,176)	(406,972)	283,126	322,191	497,361	525,601
Other income (expense)	(31,397)	(26,104)	(35,477)	(28,843)	(25,750)	(21,688)	(14,883)
Income (loss) from continuing operations before income taxes	(374,397)	(356,280)	(442,449)	254,283	296,441	475,673	510,718
Income tax expense (benefit)	(133,885)	(120,452)	(147,963)	91,619	108,432	176,196	187,938
Income (loss) from continuing operations	$ (240,512)	$ (235,828)	$ (294,486)	$ 162,664	$ 188,009	$ 299,477	$ 322,780

Table of Contents

	Nine Months Ended September 30, 2016	2015	Year Ended December 31, 2015	2014	2013	2012	2011
	(in thousands, except share data)						
Income (loss) from continuing operations per common share:							
Basic	$ (1.65)	$ (1.61)	$ (2.00)	$ 1.12	$ 1.29	$ 1.96	$ 2.08
Diluted	$ (1.65)	$ (1.61)	$ (2.00)	$ 1.11	$ 1.28	$ 1.96	$ 2.06
Weighted average number of common shares outstanding:							
Basic	146,014	145,317	145,416	144,066	144,356	151,144	153,871
Diluted	146,014	145,317	145,416	145,376	145,303	151,699	155,304
Cash dividends per common share	$ 0.14	$ 0.30	$ 0.40	$ 0.40	$ 0.20	$ 0.20	$ 0.20

	Nine Months Ended September 30, 2016	2015	Year Ended December 31, 2015	2014	2013
	(in thousands, except share data)				
Consolidated statements of cash flow data:					
Net Cash provided by (used in):					
Operating activities	$ 252,706	$ 806,039	$ 999,437	$ 728,726	$ 888,871
Investing activities	(61,972)	(592,300)	(722,962)	(1,195,409)	(652,075)
Financing activities	(267,586)	(174,095)	(199,264)	260,729	(97,119)

	As of September 30, 2016	2015	As of December 31, 2015	2014	2013	2012	2011
	(In thousands)						
Consolidated balance sheets data:							
Total assets	$ 3,908,873	$ 4,673,972	$ 4,529,484	$ 5,390,912	$ 4,683,375	$ 4,552,507	$ 4,219,105
Borrowings under line of credit	15,000			303,000			110,000
Other long-term debt	598,351	811,220	787,900	667,029	678,873	688,188	379,831
Stockholders equity	2,324,126	2,631,097	2,561,131	2,905,810	2,755,997	2,640,657	2,516,631
Working Capital	43,902	110,078	178,887	340,816	454,498	340,220	346,365

Summary Selected Consolidated Historical Financial Data of SSE

The following table sets forth SSE s selected consolidated historical financial information that has been derived from (1) the consolidated financial statements of SSE and its predecessor, Chesapeake Oilfield Operating, L.L.C. (COO), as of and for the years ended December 31, 2015, 2014, 2013, 2012 and 2011 and (2) SSE s consolidated financial statements as of and for the two months ended September 30, 2016, for the seven months ended July 31, 2016, and as of and for the nine months ended September 30, 2015. This consolidated financial data does not include the effects of the merger. You should read this financial information in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included in this joint proxy statement/prospectus under Information About SSE beginning on page 180. The selected statement of operations data and cash flow data for the year ended December 31, 2012 and selected balance sheet data as of December 31, 2013 and 2012 have been derived from SSE s audited consolidated financial statements for such years. See Where You Can Find More Information beginning on page 250.

Table of Contents

The historical combined financial statements of COO for periods and as of dates prior to its formation on October 25, 2011 were prepared on a carve-out basis from CHK and are intended to represent the financial results of CHK s oilfield services operations, which is COO s accounting predecessor, for the periods presented. The selected historical financial data is not necessarily indicative of results to be expected in future periods and does not necessarily reflect what SSE s financial position and results of operations would have been had SSE operated as an independent public company during periods prior to its spin-off from CHK.

On June 7, 2016 (the Petition Date), SSE and its subsidiaries (collectively the Debtors) filed voluntary petitions for relief (the Bankruptcy Petitions) under Chapter 11 of the United States Code (Chapter 11 or the Bankruptcy Code) in the United States Bankruptcy Court for the District of Delaware (the Bankruptcy Court), case number 16-11409. The Debtors continued to operate their business as debtors-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and the orders of the Bankruptcy Court. The subsidiary Debtors in these Chapter 11 cases were Seventy Seven Operating LLC, Seventy Seven Land Company LLC, Seventy Seven Finance Inc., Performance Technologies, L.L.C., PTL Prop Solutions, L.L.C., Western Wisconsin Sand Company, LLC, Nomac Drilling, L.L.C., SSE Leasing LLC, Keystone Rock & Excavation, L.L.C. and Great Plains Oilfield Rental, L.L.C., which represent all subsidiaries of SSE. On July 14, 2016, the Bankruptcy Court issued an order (the Confirmation Order) confirming the Joint Pre-packaged Plan of Reorganization (referred to, as amended and supplemented, as the Plan) of the Debtors. On August 1, 2016 (the Reorganization Effective Date), the Plan became effective pursuant to its terms and the Debtors emerged from their Chapter 11 cases.

26

Table of Contents

Upon emergence from bankruptcy, SSE adopted fresh-start accounting and became a new entity for financial reporting purposes. As a result of the application of fresh-start accounting and the effects of the implementation of the Plan, SSE s condensed consolidated financial statements on or after August 1, 2016 are not comparable with the financial statements prior to the Reorganization Effective Date. Subsequent to the Petition Date, all expenses, gains and losses directly associated with the reorganization are reported as Reorganization items, net in the accompanying statements of operations. References to Successor or Successor Company relate to SSE on and subsequent to August 1, 2016. References to Predecessor or Predecessor Company relate to SSE prior to August 1, 2016. References to Current Successor Quarter relate to the two months ended September 30, 2016 and Current Predecessor Quarter relate to the one month ended July 31, 2016. References to Current Predecessor Period relate to the seven months ended July 31, 2016, and Prior Predecessor Quarter and Prior Predecessor Period relate to the three and nine months ended September 30, 2015, respectively. All significant intercompany accounts and transactions within SSE have been eliminated. See Unaudited Pro Forma Condensed Combined Financial Statements beginning on page 153. In addition, for more information with respect to the implementation of the Plan and subsequent emergence from Chapter 11 bankruptcy, see SSE s Current Report on Form 8-K filed on July 20, 2016 and SSE s Current Report on Form 8-K filed on August 4, 2016.

	Successor	**Predecessor**						
	Two Months Ended September 30, 2016	**Seven Months Ended July 31, 2016**	**Nine Months Ended September 30, 2015**	**Years Ended December 31, 2015**	**2014**	**2013**	**2012**	**2011**
	(in thousands, except per share data)							
Income Statement Data:								
Revenues	$ 79,656	$ 333,919	$ 938,456	$ 1,131,244	$ 2,080,892	$ 2,188,205	$ 1,920,022	$ 1,303,496
Operating Expenses:								
Operating costs(a)	63,628	237,014	731,627	855,870	1,580,353	1,717,709	1,390,786	986,239
Depreciation and amortization	31,208	162,425	226,779	295,421	292,912	289,591	231,322	175,790
General and administrative	16,601	66,667	95,436	112,141	108,139	80,354	66,360	37,074
Loss on sale of a business			34,989	35,027				
(Gains) losses on sales of property and equipment, net	(798)	848	15,023	14,656	(6,272)	(2,629)	2,025	(3,571)
Impairment of goodwill				27,434				
Impairments and other(b)		6,116	16,720	18,632	30,764	74,762	60,710	2,729

Total Operating Expenses	110,639	473,070	1,120,574	1,359,181	2,005,896	2,159,787	1,751,203	1,198,261
Operating (Loss) Income	(30,983)	(139,151)	(182,118)	(227,937)	74,996	28,418	168,819	105,235
Other (Expense) Income:								
Interest expense	(6,185)	(48,116)	(73,964)	(99,267)	(79,734)	(56,786)	(53,548)	(48,802)
Gains on early extinguishment of debt			18,061	18,061				
Income (Loss and impairment) from equity investees			877	(7,928)	(6,094)	(958)	(361)	
Other income (expense)	886	2,318	1,889	3,052	664	1,758	1,543	(2,464)
Reorganization items, net	(246)	(29,892)						
Total Other Expense	(5,545)	(75,690)	(53,137)	(86,082)	(85,164)	(55,986)	(52,366)	(51,266)
(Loss) Income Before Income Taxes	(36,528)	(214,841)	(235,255)	(314,019)	(10,168)	(27,568)	116,453	53,969
Income Tax (Benefit) Expense		(59,131)	(74,455)	(92,628)	(2,189)	(7,833)	46,877	26,279
Net (Loss) Income	$ (36,528)	$ (155,710)	$ (160,800)	$ (221,391)	$ (7,979)	$ (19,735)	$ 69,576	$ 27,844
(Loss) Earnings Per Common Share(c):								
Basic	$ (1.66)	$ (2.84)	$ (3.24)	$ (4.42)	$ (0.17)	$ (0.42)	$ 1.48	$ 0.59
Diluted	$ (1.66)	$ (2.84)	$ (3.24)	$ (4.42)	$ (0.17)	$ (0.42)	$ 1.48	$ 0.59

Table of Contents

	Successor	Predecessor						
	Two Months Ended September 30, 2016	Seven Months Ended July 31, 2016	Nine Months Ended September 30, 2015	Years Ended December 31, 2015	2014	2013	2012	2011
	(in thousands, except per share data)							
Cash Flow Data:								
Cash flows provided by (used in) operations	$ (7,752)	$ 6,469	$ 263,662	$ 284,106	$ 265,296	$ 337,071	$ 211,151	$ 240,046
Cash flows used in investing activities	$ (2,278)	$ (80,126)	$ (114,904)	$ (159,667)	$ (367,646)	$ (296,817)	$ (577,324)	$ (658,470)
Cash flows provided by (used in) financing activities	$ (4,716)	$ (19,241)	$ 6,570	$ 5,318	$ 101,563	$ (39,803)	$ 366,870	$ 418,584
Other Financial Data:								
Capital expenditures	$ 6,100	$ 82,787	$ 151,799	$ 205,706	$ 457,618	$ 349,806	$ 622,825	$ 752,715

a) Historical operating costs include the effect of $18.9 million, $76.9 million and $100.8 million of rig rent expense associated with SSE s lease of drilling rigs for the years December 31, 2014, 2013 and 2012, respectively. As of December 31, 2014, SSE had purchased all rigs that were subject to these lease arrangements.

b) SSE recorded impairments of long-lived assets of $18.6 million for the year ended December 31, 2015. SSE recorded impairments of long-lived assets and lease termination costs of $21.1 million and $9.7 million, respectively, for the year ended December 31, 2014. SSE recorded impairments of long-lived assets and lease termination costs of $52.4 million and $22.4 million, respectively, for the year ended December 31, 2013.

c) On June 30, 2014 SSE distributed 46,932,433 shares of its common stock to CHK shareholders in conjunction with the spin-off. For comparative purposes, and to provide a more meaningful calculation for weighted average shares, SSE has assumed this amount to be outstanding for periods prior to the spin-off.

	Successor	Predecessor					
	As of September 30, 2016	As of September 30, 2015	As of December 31, 2015	2014	2013	2012	2011
	(in thousands)						
Balance Sheet Data:							

Cash	$ 23,004	$ 156,219	$ 130,648	$ 891	$ 1,678	$ 1,227	$ 530
Property and equipment, net	$ 791,463	$ 1,576,086	$ 1,530,420	$ 1,767,053	$ 1,497,476	$ 1,581,519	$ 1,247,817
Total assets	$ 972,953	$ 2,028,369	$ 1,902,618	$ 2,290,293	$ 2,015,845	$ 2,106,870	$ 1,582,660
Long-term debt, less current maturities	$ 423,347	$ 1,589,500	$ 1,564,592	$ 1,572,241	$ 1,043,952	$ 1,055,559	$ 664,524
Total equity	$ 478,460	$ 170,102	$ 118,840	$ 291,023	$ 547,192	$ 596,817	$ 548,896

Summary Selected Unaudited Pro Forma Condensed Combined Financial Information

The following selected unaudited pro forma condensed combined statements of operations data for the year ended December 31, 2015 and for the nine months ended September 30, 2016 have been prepared to give effect to the merger as if it had occurred on January 1, 2015. The unaudited pro forma condensed combined balance sheet data at September 30, 2016 have been prepared to give effect to the merger as if it had occurred on September 30, 2016. The following selected unaudited pro forma condensed combined financial information should be read in conjunction with the section titled Unaudited Pro Forma Condensed Combined Financial Statements and related notes included in this joint proxy statement/prospectus beginning on page 153.

Table of Contents

The unaudited pro forma financial statements have been prepared using the acquisition method of accounting for business combinations under U.S. GAAP, with Patterson-UTI treated as the accounting acquirer. Under the acquisition method of accounting, Patterson-UTI will record all assets acquired and liabilities assumed at their respective acquisition date fair values upon the merger closing date. The acquisition method of accounting is dependent upon certain valuations and other studies that have yet to commence or progress to a stage where there is sufficient information for a definitive measure. The sources and amounts of merger transaction expenses may also differ from those assumed in the following pro forma adjustments. Accordingly, the pro forma adjustments are preliminary, they have been made solely for the purpose of providing pro forma financial statements, and they are subject to revision based on a final determination of fair value as of the date of acquisition. Differences between these preliminary estimates and the final acquisition accounting may have a material impact on the accompanying pro forma financial statements and the combined company s future results of operations and financial position.

The unaudited pro forma condensed combined financial statements are provided for illustrative purposes only and are not intended to represent or be indicative of what the combined company s financial position or results of operations would have been had the merger been completed as of the dates presented herein. In addition, the unaudited pro forma condensed combined financial statements should not be taken as representative of the future results of operations or financial position of the combined company. The unaudited pro forma condensed combined financial statements do not reflect the impacts of any potential operational efficiencies, asset dispositions, revenue enhancements, cost savings or economies of scale that the combined company may achieve as a result of the merger.

	Year Ended December 31, 2015 (in thousands, except per share amounts)	Nine months Ended September 30, 2016
Pro Forma Condensed Combined Statement of Operations Information:		
Revenue	$ 3,022,502	$ 1,082,554
Loss from continuing operations attributable to Patterson-UTI/SSE	(341,262)	(329,767)
Loss per share from continuing operations attributable to Patterson-UTI/SSE, basic	(1.75)	(1.69)
Loss per share from continuing operations attributable to Patterson-UTI/SSE, diluted	(1.75)	(1.69)

	As of September 30, 2016 (in thousands)
Pro Forma Condensed Combined Balance Sheet Information:	
Cash and cash equivalents	$ 59,976
Total assets	5,781,912
Long-term debt	995,373
Stockholders equity	3,670,409

Table of Contents

Unaudited Comparative Per Share Data

The following table sets forth certain historical net loss per share of Patterson-UTI and SSE and per share book value information on an unaudited pro forma condensed combined basis after giving effect to the merger.

Historical per share data of Patterson-UTI for the year ended December 31, 2015 and the nine months ended September 30, 2016 was derived from Patterson-UTI s historical financial statements for the respective periods. Historical per share data of SSE for the year ended December 31, 2015 and the nine months ended September 30, 2016 was derived from SSE s historical financial statements for the respective periods. This information should be read together with the consolidated financial statements and related notes of SSE that are included in this joint proxy statement/prospectus and the consolidated financial statements and related notes of Patterson-UTI that are incorporated into this joint proxy statement/prospectus by reference. See Where You Can Find More Information beginning on page 250.

Unaudited pro forma combined per share data for the year ended December 31, 2015 and the nine months ended September 30, 2016 was derived and should be read in conjunction with the unaudited pro forma condensed combined financial data included under Unaudited Pro Forma Condensed Combined Financial Statements beginning on page 153. The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the combined company s operating results or financial position had the merger occurred on January 1, 2015. The equivalent pro forma per share information was derived by multiplying the combined company pro forma per share information by the merger exchange ratio of 1.7725.

	Year Ended December 31, 2015	Two Months Ended September 30, 2016	Seven Months Ended July 31, 2016	Nine Months Ended September 30, 2016
Historical Patterson-UTI:				
Net loss per share				
Basic	$ (2.00)			$ (1.65)
Diluted	$ (2.00)			$ (1.65)
Cash dividends per share(1)	$ 0.40			$ 0.14
Net book value per share	$ 17.40			$ 15.69
Historical SSE Successor:				
Net loss per share				
Basic		$ (1.66)		
Diluted		$ (1.66)		
Cash dividends per share(1)(2)		$		
Net book value per share		$ 21.47		
Historical SSE Predecessor:				
Net loss per share				
Basic	$ (4.42)		$ (2.84)	
Diluted	$ (4.42)		$ (2.84)	
Cash dividends per share(1)(2)	$		$	
Net book value per share	$ 2.00			
Equivalent Pro Forma SSE:				

Net loss per share				
Basic	$	(3.10)	$	(2.99)
Diluted	$	(3.10)	$	(2.99)
Cash dividends per share(1)(2)	$	0.71	$	0.25
Net book value per share			$	33.27
Pro Forma Combined:				
Net loss per share				
Basic	$	(1.75)	$	(1.69)
Diluted	$	(1.75)	$	(1.69)
Cash dividends per share(1)(2)	$	0.40	$	0.14
Net book value per share-diluted			$	18.77

30

(1) The merger agreement prohibits Patterson-UTI and SSE (unless consented to in advance by the other, which consent may not be unreasonably withheld, delayed or conditioned, or in the case of Patterson-UTI, unless such dividend does not exceed $0.02 per share) from paying dividends to their respective stockholders until the earlier of the effective time of the merger and the termination of the merger agreement in accordance with its terms.
(2) Since its spin-off, SSE has not declared any dividends and does not anticipate declaring or providing any cash dividends to holders of SSE common stock in the foreseeable future.

Table of Contents

Comparative Market Prices

The following table shows the closing sale prices of Patterson-UTI common stock as reported on the NASDAQ and SSE common stock as reported on the OTC Grey as of December 12, 2016, the last full trading day before public announcement of the merger, and as of , 2017 the last trading day for which this information could be calculated prior to the date of this joint proxy statement/prospectus.

	Patterson-UTI Common Stock	SSE Common Stock	SSE Equivalent Per Share(1)
December 12, 2016	$ 28.67	$ 26.35	$ 50.82
, 2017	$	$	$

(1) The equivalent per share data for SSE common stock has been determined by multiplying the market price of one share of Patterson-UTI common stock on each of the dates by the exchange ratio of 1.7725. Such exchange ratio has been calculated assuming that all outstanding Series A warrants of SSE are exercised for cash, no other warrants are exercised, no other shares of SSE are issued prior to closing and certain other assumptions set forth in Example 1 of Annex B of this joint proxy statement/prospectus.

The market price of Patterson-UTI common stock and SSE common stock will fluctuate prior to the merger. Patterson-UTI stockholders and SSE stockholders are urged to obtain current market quotations for the shares prior to making any decision with respect to the merger.

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This joint proxy statement/prospectus and the documents incorporated by reference into this joint proxy statement/prospectus contain forward-looking statements within the meaning of the federal securities laws that are not limited to historical facts, but reflect Patterson-UTI s and/or SSE s current beliefs, expectations or intentions regarding future events. Statements in this joint proxy statement/prospectus and the documents incorporated by reference herein that are not historical facts are hereby identified as forward-looking statements for the purpose of the safe harbor provided by Section 21E of the Exchange Act, and Section 27A of the Securities Act. Words such as may, will, could, should, expect, plan, project, intend, anticipate, believe, estimate, predict, potential, pursue, t similar expressions are intended to identify such forward-looking statements. These forward-looking statements include, without limitation, Patterson-UTI s and SSE s expectations with respect to the synergies, costs and other anticipated financial impacts of the proposed transaction; future financial and operating results of the combined company; the combined company s plans, objectives, expectations and intentions with respect to future operations and services; approval of the proposed transaction by stockholders; the satisfaction of the closing conditions to the proposed transaction; and the timing of the completion of the proposed transaction.

Although Patterson-UTI and SSE believe the expectations reflected in such forward-looking statements are reasonable, such expectations may not occur. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the combined company to be materially different from actual future results expressed or implied by the forward-looking statements. These risks and uncertainties also include those set forth under Risk Factors, beginning on page 35, as well as, among others, risks and uncertainties relating to:

- The receipt of approval of both Patterson-UTI s and SSE s stockholders;

- The time required to complete the merger;

- Uncertainty as to whether the conditions to closing the merger will be satisfied or whether the merger will be completed;

- The diversion of management time on merger-related issues;

- The ultimate timing, outcome and results of integrating the operations of Patterson-UTI and SSE;

- The effects of the business combination of Patterson-UTI and SSE, including the combined company s future financial condition, results of operations, strategy and plans;

- Potential adverse reactions or changes to business relationships resulting from the announcement or completion of the merger;

Expected benefits from the merger and the ability of Patterson-UTI to realize those benefits;

Expectations regarding regulatory approval of the merger;

Whether merger-related litigation will occur and, if so, the results of any litigation, settlements and investigations;

Potential triggering of change of control provisions in certain agreements to which SSE is a party;

Availability of capital and the ability to repay indebtedness when due;

Volatility in customer spending and in oil and natural gas prices that could adversely affect demand for our services and their associated effect on rates;

Loss of key customers;

Utilization, margins and planned capital expenditures;

Interest rate volatility;

Table of Contents

Compliance with covenants under Patterson-UTI s debt agreements;

Excess availability of land drilling rigs and pressure pumping equipment, including as a result of reactivation or construction;

Equipment specialization and new technologies;

Operating hazards attendant to the natural gas and oil business;

Failure by customers to pay or satisfy their contractual obligations (particularly with respect to fixed term contracts);

Difficulty in building and deploying new equipment;

Expansion and development trends of the oil and gas industry;

Weather;

Shortages, delays in delivery and interruptions in supply of equipment, supplies and materials;

The ability to retain management and field personnel;

The ability to effectively identify and enter new markets;

The ability to realize backlog;

Strength and financial resources of competitors;

Environmental risks and ability to satisfy future environmental costs;

Global economic conditions;

Operating costs;

- Competition and demand for our services;
- Liabilities from operations for which Patterson-UTI or SSE, as applicable, do not have and receive full indemnification or insurance;
- Governmental regulation;
- Ability to obtain insurance coverage on commercially reasonable terms;
- Financial flexibility; and
- Other financial, operational and legal risks and uncertainties detailed from time to time in either Patterson-UTI s or SSE s SEC filings.

Patterson-UTI and SSE caution that the foregoing list of factors is not exclusive. Additional information concerning these and other risk factors is contained in Patterson-UTI s most recently filed Annual Reports on Form 10-K, subsequent Quarterly Reports on Form 10-Q, recent Current Reports on Form 8-K and other SEC filings. The forward-looking statements speak only as of the date made and, other than as required by law, neither Patterson-UTI nor SSE undertake any obligation to update publicly or revise any of these forward-looking statements, whether as a result of new information, future events or otherwise. In the event that a party does update any forward-looking statement, no inference should be made that the parties will make additional updates with respect to that statement, related matters or any other forward-looking statements. All subsequent written and oral forward-looking statements concerning Patterson-UTI, SSE, the proposed transaction or other matters and attributable to Patterson-UTI or SSE or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements above.

Table of Contents

RISK FACTORS

In addition to the other information included and incorporated by reference into this joint proxy statement/prospectus, including the matters addressed in the section titled Special Note Regarding Forward-Looking Statements, you should carefully consider the following risks before deciding whether to vote for any of the proposals described in this joint proxy statement/prospectus. In addition, you should read and consider the risks associated with each of the businesses of Patterson-UTI and SSE because these risks will also affect the combined company following the merger. The risks related to Patterson-UTI s business can be found in its Annual Report on Form 10-K for the fiscal year ended December 31, 2015, as those risks may be updated or supplemented in its subsequently filed Quarterly Reports on Form 10-Q or Current Reports on Form 8-K, to the extent incorporated by reference into this joint proxy statement/prospectus. You should also read and consider the other information in this joint proxy statement/prospectus and the other documents incorporated by reference into this joint proxy statement/prospectus. See the section titled Where You Can Find More Information beginning on page 250.

Risk Factors Relating to the Merger

The exchange ratio will not be adjusted in the event of any change in either Patterson-UTI s or SSE s stock price.

At the effective time, each share of SSE common stock outstanding immediately prior to the effective time, other than shares owned by SSE and its wholly owned subsidiaries, shares owned by Patterson-UTI or Merger Sub and shares for which appraisal rights held by SSE stockholders have been perfected, will be converted into the right to receive a number of shares of Patterson-UTI common stock equal to the exchange ratio. This exchange ratio will not be adjusted for changes in the market price of either Patterson-UTI common stock or SSE common stock between the date of signing the merger agreement and completion of the merger. Changes in the price of Patterson-UTI common stock prior to the merger will affect the value of Patterson-UTI common stock that SSE common stockholders will receive on the date of the merger. Stock price changes may result from a variety of factors (many of which are our out of our control), including the following:

- changes in the respective businesses, operations and prospects of Patterson-UTI and SSE;
- changes in market assessments of the business, operations and prospects of either company;
- investor behavior and strategies, including market assessments of the likelihood that the merger will be completed, including related considerations regarding regulatory clearance of the merger;
- interest rates, general market and economic conditions and other factors generally affecting the price of Patterson-UTI s and SSE s common stock; and
- federal, state and local legislation, governmental regulation and legal developments in the businesses in which Patterson-UTI and SSE operate.

The prices of Patterson-UTI common stock and SSE common stock at the closing of the merger may vary from their prices on the date the merger agreement was executed, on the date of this joint proxy statement/prospectus and on the date of each stockholders meeting. As a result, the value represented by the exchange ratio will also vary, and you will not know or be able to calculate at the time of the special meetings the market value of the merger consideration you will receive upon completion of the merger. For example, based on the closing price of Patterson-UTI common stock during the period from December 12, 2016, the last trading day before public announcement of the merger, through , the latest practicable trading date before the date of this joint proxy statement/prospectus and assuming the issuance of 49,559,000 shares of Patterson-UTI common stock in the merger, the exchange ratio represented a value ranging from a high of $ to a low of $ for each share of SSE common stock.

In addition, the merger might not be completed until a significant period of time has passed after the respective special stockholder meetings. Because the exchange ratio will not be adjusted to reflect any changes in

Table of Contents

the market value of Patterson-UTI common stock or SSE common stock, the market value of the Patterson-UTI common stock issued in connection with the merger and the SSE common stock surrendered in connection with the merger may be higher or lower than the values of those shares on earlier dates. Stock price changes may result from, among other things, changes in the business, operations or prospects of Patterson-UTI or SSE prior to or following the merger, litigation or regulatory considerations, general business, market, industry or economic conditions and other factors both within and beyond the control of Patterson-UTI and SSE. Neither Patterson-UTI nor SSE is permitted to terminate the merger agreement solely because of changes in the market price of either company s common stock.

The exchange ratio may be reduced upon the occurrence of certain events.

The number of shares of Patterson-UTI issuable as merger consideration is subject to reduction if holders of Series A warrants to purchase SSE common stock fail to exercise their warrants in full by tendering the cash exercise price to SSE prior to closing. If any Series A warrants are not exercised or are exercised using a net share settlement feature, the aggregate number of shares of Patterson-UTI common stock issued as merger consideration will be reduced to reflect the loss of the cash proceeds that would be received by SSE if all of the Series A warrants were exercised for cash.

In addition, the exchange ratio will be affected by the aggregate number of shares of SSE common stock outstanding or deemed to be outstanding as of immediately prior to the effective time, which includes (i) shares of SSE common stock outstanding as a result of the exercise of warrants to acquire SSE common stock, (ii) shares of SSE common stock deemed outstanding as a result of the vesting of SSE restricted stock unit awards that existed prior to the execution of the merger agreement, (iii) any shares of SSE common stock subject to perfected appraisal rights, (iv) shares of SSE common stock that underlie restricted stock unit awards that SSE issues on or after the execution of the merger agreement and (v) 50% of shares of SSE common stock tendered to SSE on or after August 1, 2016 for purposes of satisfying tax withholding obligations upon the vesting of restricted stock unit awards.

These factors could reduce the number of shares of Patterson-UTI common stock that a holder of SSE common stock will receive in the merger. Annex B of this joint proxy statement/prospectus sets forth illustrative calculations of the exchange ratio.

The market value of Patterson-UTI common stock could be negatively affected by risks and conditions that apply to Patterson-UTI, which may be different from the risks and conditions applicable to SSE, and Patterson-UTI stockholders will have different rights than SSE stockholders.

Following the merger, stockholders of Patterson-UTI and former stockholders of SSE will own interests in a combined company operating an expanded business with more assets and a different mix of liabilities. The business of Patterson-UTI and its subsidiaries and other companies it may acquire in the future are different from those of SSE. There is a risk that various factors, conditions and developments that would not affect the price of SSE common stock could negatively affect the price of Patterson-UTI common stock. Current stockholders of Patterson-UTI and SSE may not wish to continue to invest in the combined company, or may wish to reduce their investment in the combined company, including in order to comply with institutional investing guidelines, to increase diversification, to track any rebalancing of stock indices in which Patterson-UTI common stock is included, to respond to the risk profile of the combined company or to realize a gain. In addition, if, following the merger, large amounts of Patterson-UTI common stock are sold, the price of its common stock could decline.

Holders of shares of Patterson-UTI common stock will have rights as Patterson-UTI stockholders that differ from the rights they had as SSE stockholders before the merger. For a detailed comparison of the rights of Patterson-UTI stockholders to the rights of SSE stockholders, see Comparison of Stockholder Rights beginning on page 166.

Current Patterson-UTI stockholders will have a reduced ownership and voting interest in the combined company after the merger.

Patterson-UTI will issue up to 49,559,000 shares of Patterson-UTI common stock to SSE stockholders in the merger. As a result of these issuances, SSE stockholders are expected to hold up to approximately 25% of the combined company s outstanding common stock immediately following completion of the merger.

Patterson-UTI stockholders currently have the right to vote for their respective directors and on other matters affecting the applicable company. Each Patterson-UTI stockholder will remain a stockholder of Patterson-UTI with a percentage ownership of the combined company that will be smaller than the stockholder s percentage of Patterson-UTI prior to the merger. As a result of these reduced ownership percentages, Patterson-UTI stockholders will have less voting power in the combined company than they now have with respect to Patterson-UTI.

The merger is subject to conditions, including certain conditions that may not be satisfied, or completed on a timely basis, if at all.

The merger is subject to a number of conditions beyond Patterson-UTI s and SSE s control that may prevent, delay or otherwise materially adversely affect its completion. We cannot predict whether and when these conditions will be satisfied. Any delay in completing the merger could cause the combined company not to realize some or all of the benefits that we expect to achieve if the merger is successfully completed within its expected time frame. See The Merger Agreement Conditions to Completion of the Merger beginning on page 138.

Failure to complete the merger could negatively impact the future business and financial results of Patterson-UTI and SSE.

Neither Patterson-UTI nor SSE can make any assurances that it will be able to satisfy all of the conditions to the merger or succeed in any litigation brought in connection with the merger. If the merger is not completed, the financial results of Patterson-UTI and/or SSE may be adversely affected and Patterson-UTI and/or SSE will be subject to several risks, including but not limited to:

- SSE being required to pay Patterson-UTI a termination fee of $40,000,000 or Patterson-UTI being required to pay SSE a termination fee of either $40,000,000 or $100,000,000, in each case under certain circumstances provided in the merger agreement;
- payment of costs relating to the merger, such as legal, accounting, financial advisor and printing fees, regardless of whether the merger is completed;
- the focus of each company s management team on the merger instead of the pursuit of other opportunities that could have been beneficial to each company; and
- the potential occurrence of litigation related to any failure to complete the merger.

In addition, if the merger is not completed, Patterson-UTI and/or SSE may experience negative reactions from the financial markets and from their respective customers and employees. If the merger is not completed, SSE and

Patterson-UTI cannot assure their stockholders that these risks will not materialize and will not materially and adversely affect the business, financial results and stock prices of SSE or Patterson-UTI.

The merger agreement contains provisions that limit each party s ability to pursue alternatives to the merger, could discourage a potential competing acquiror of either Patterson-UTI or SSE from making a favorable alternative transaction proposal and, in specified circumstances, could require either party to pay a termination fee to the other party.

The merger agreement contains non-solicitation provisions that, subject to limited exceptions, restrict SSE s and Patterson-UTI s ability to, among other things, directly or indirectly solicit, initiate, facilitate, knowingly encourage or induce or take any action that could be reasonably expected to lead to the making, submission or announcement of a proposal competing with the transactions contemplated by the merger agreement. In addition, while the board of directors of SSE and Patterson-UTI each have the ability, in certain circumstances, to change its recommendation of the transaction to their respective stockholders, neither party can terminate the merger agreement to accept an alternative proposal, and the other party generally has an opportunity to modify the terms of the merger and the merger agreement in response to any alternative proposals that may be made before such board of directors may withdraw or modify its recommendation. Moreover, in certain circumstances, SSE or Patterson-UTI may be required to pay up to $7,500,000 of the other party s expenses, SSE may be required to pay Patterson-UTI a termination fee of $40,000,000, or Patterson-UTI may be required to pay SSE a termination fee of either $40,000,000 or $100,000,000. See The Merger Agreement No Solicitation of Competing Proposals beginning on page 131, The Merger Agreement Termination of the Merger Agreement beginning on page 140 and The Merger Agreement Termination Fees and Expenses beginning on page 142.

These provisions could discourage a potential third party that might have an interest in acquiring all or a significant portion of SSE or Patterson-UTI from considering or proposing that acquisition, even if it were prepared to pay consideration with a higher per share cash or market value than the market value proposed to be received or realized in the merger. In addition, these provisions might result in a potential third party acquirer proposing to pay a lower price to the stockholders than it might otherwise have proposed to pay because of the added expense of the termination fee that may become payable in certain circumstances.

If the merger agreement is terminated and either Patterson-UTI or SSE determines to seek another business combination, it may not be able to negotiate a transaction with another party on terms comparable to, or better than, the terms of the merger.

SSE s directors and executive officers have interests in the merger that may be different from, or in addition to, the interests of SSE stockholders generally.

SSE s directors and executive officers have financial interests in the merger that may be different from, or in addition to, the interests of the SSE stockholders generally. The members of the SSE board of directors were aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending to SSE s stockholders that the merger agreement be approved. These interests include, among others: (i) each SSE executive officer is a party to an employment agreement with SSE that could provide that executive with potential compensation and benefits in the event the executive is involuntarily terminated in connection with the merger, (ii) SSE s directors and executive officers hold equity compensation plan awards under the SSE Incentive Plan, the vesting of which awards will be accelerated as a result of the merger, in accordance with the terms of those awards and the merger agreement, and (iii) SSE s directors and executive officers are entitled to continued indemnification and insurance coverage under the merger agreement. See The Merger Interests of SSE Directors and Executive Officers in the Merger beginning on page 109 for more information. In addition, the SSE board of directors has adopted a resolution providing that the disposition of SSE shares by SSE s officers and directors in exchange for Patterson-UTI shares in the merger is intended to be exempt from liability pursuant to Section 16(b) of the Exchange Act.

Completion of the merger may trigger change in control or other provisions in certain agreements to which SSE is a party.

The completion of the merger may trigger change in control or other provisions in certain agreements to which SSE is a party. If Patterson-UTI and SSE are unable to negotiate waivers of those provisions, the counterparties may exercise their rights and remedies under the agreements, potentially terminating the agreements or seeking monetary damages.

Even if Patterson-UTI and SSE are able to negotiate waivers, the counterparties may require a fee for such waivers or seek to renegotiate the agreements on terms less favorable to SSE or the combined company.

Table of Contents

Patterson-UTI and SSE may be unable to obtain the regulatory clearances and approvals required to complete the merger or, in order to do so, Patterson-UTI and SSE may be required to comply with material restrictions or conditions.

Under the HSR Act, neither Patterson-UTI nor SSE may complete the merger until required information and materials are furnished to the U.S. Department of Justice (DOJ) and the Federal Trade Commission (FTC), and the applicable waiting period under the HSR Act terminates or expires. On January 3, 2017, Patterson-UTI and SSE filed the requisite notification and report forms under the HSR Act with the DOJ and the FTC. On January 13, 2017, Patterson-UTI and SSE were notified by the FTC that the early termination of the waiting period under the HSR Act had been granted.

The merger may also be subject to the regulatory requirements of other municipal, state, federal, or foreign governmental agencies and authorities. Regulatory entities may impose certain requirements or obligations as conditions for their approval or in connection with their review.

The merger agreement may require Patterson-UTI and SSE to accept conditions from these regulators that could adversely impact the combined company without either of them having the right to refuse to close the merger on the basis of those regulatory conditions. Neither Patterson-UTI nor SSE can provide any assurance that they will obtain the necessary clearances or approvals, or that any required conditions will not have a material adverse effect on the combined company following the merger or result in the abandonment of the merger.

Additionally, even after the above-described statutory waiting periods have expired, and even after completion of the merger, governmental authorities could seek to challenge the merger. Patterson-UTI or SSE may not prevail and may incur significant costs in defending or settling any action under the antitrust laws.

The pendency of the merger could adversely affect the business and operations of Patterson-UTI and SSE.

In connection with the pending merger, some customers or vendors of each of Patterson-UTI and SSE may delay or defer decisions, which could negatively affect the revenues, earnings, cash flows and expenses of Patterson-UTI and SSE, regardless of whether the merger is completed. Similarly, current and prospective employees of Patterson-UTI and SSE may experience uncertainty about their future roles with SSE following the merger, which may materially adversely affect the ability of each of Patterson-UTI and SSE to attract, retain and motivate key personnel during the pendency of the merger and which may materially adversely divert attention from the daily activities of Patterson-UTI s and SSE s existing employees.

In addition, due to operating covenants in the merger agreement, each of Patterson-UTI and SSE may be unable, during the pendency of the merger, to pursue strategic transactions, undertake significant capital projects, undertake certain significant financing transactions and otherwise pursue other actions that are not in the ordinary course of business, even if such actions would prove beneficial to Patterson-UTI or SSE, as applicable. Further, the process of seeking to accomplish the merger could also divert the focus of management of either company from pursuing other opportunities that could be beneficial to it, without realizing any of the benefits which might have resulted had the merger been completed.

Patterson-UTI may repay at closing the outstanding indebtedness of SSE with funds obtained through the issuance of Patterson-UTI common stock, which may depress the share price of Patterson-UTI common stock.

Patterson-UTI may issue shares of Patterson-UTI common stock to help fund the repayment of SSE s outstanding indebtedness at closing. The potential issuance of such additional shares of Patterson-UTI common stock will result in the dilution of the ownership interests of the holders of Patterson-UTI common stock and may create downward pressure on the trading price of Patterson-UTI common stock.

If the merger does not qualify as a reorganization within the meaning of Section 368(a) of the Code, the stockholders of SSE may be required to pay substantial U.S. federal income taxes.

As a condition to the completion of the merger, each of SSE and Patterson-UTI will have received a tax opinion from its respective counsel described in the section titled The Merger Agreement Conditions to Completion of the Merger, dated as of the closing date, that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. These opinions will be based on customary assumptions and representations from SSE and Patterson-UTI, as well as certain covenants and undertakings by Patterson-UTI and SSE. If any of the representations, assumptions, covenants or undertakings upon which the opinions are based is incorrect, incomplete, inaccurate or violated, the validity of the opinions may be affected and the tax consequences of the merger could differ from those described in this joint proxy statement/prospectus. An opinion of counsel represents such counsel s best legal judgment but is not binding on the IRS or any court. Neither Patterson-UTI nor SSE intends to obtain a ruling from the IRS with respect to the tax consequences of the merger. Accordingly, there can be no assurances that the IRS will not assert, or that a court will not sustain, a position contrary to that contained in such opinions. If the IRS or a court determines that the merger should not be treated as a reorganization within the meaning of Section 368(a) of the Code, upon the exchange of SSE common stock for Patterson-UTI common stock pursuant to the merger, a holder of SSE common stock generally would recognize taxable gain or loss as if it sold its shares of SSE common stock. See Material U.S. Federal Income Tax Consequences beginning on page 149.

Risk Factors Relating to the Combined Company Following the Merger

The combined company s debt may limit its financial flexibility.

As of January 20, 2017, Patterson-UTI had $10 million outstanding under its credit facility and a total of $600 million in principal amount of senior notes outstanding. In connection with consummation of the merger, Patterson-UTI may fund all or a portion of the repayment of SSE s outstanding indebtedness through borrowings under its existing credit facility, through the use of the senior unsecured bridge financing commitment or through other debt or equity financings. As of January 20, 2017, SSE had a total of $473.25 million in principal amount of term loans outstanding and no outstanding borrowings under its credit facility. In addition, the combined company may incur additional debt from time to time in connection with the financing of operations, acquisitions, recapitalizations and refinancings. The level of the combined company s debt could have several important effects on future operations, including, among others:

- a significant portion of the combined company s income from operations may be applied to the payment of principal and interest on the debt and will not be available for other purposes;

- covenants contained in the combined company s existing and future debt arrangements may require the combined company to meet financial tests that may affect its flexibility in planning for and reacting to changes in its business, including possible acquisition opportunities;

- the combined company s ability to obtain additional financing for capital expenditures, acquisitions, general corporate and other purposes may be limited or burdened by increased costs or more restrictive covenants;

the combined company may not be able to refinance or extend the term of the existing debt on favorable terms or at all which would have a material effect on its ability to continue operations;

the combined company may be at a competitive disadvantage to similar companies that have less debt;

the combined company s vulnerability to adverse economic and industry conditions may increase; and

the combined company may face limitations on its flexibility to plan for and react to changes in its business and the industries in which it operates.

Table of Contents

The failure to integrate successfully the businesses of Patterson-UTI and SSE in the expected timeframe would adversely affect the combined company s future results following the merger.

The merger involves the integration of two companies that currently operate independently. The success of the merger will depend in large part on the ability of the combined company to realize the anticipated benefits, including cost savings, innovation and operational efficiencies, from combining the businesses of Patterson-UTI and SSE. To realize these anticipated benefits, the businesses of Patterson-UTI and SSE must be successfully integrated. This integration will be complex and time-consuming. The failure to integrate successfully and to manage successfully the challenges presented by the integration process may result in the combined company not achieving the anticipated benefits of the merger.

Potential difficulties that may be encountered in the integration process include the following:

- integrating the businesses of Patterson-UTI and SSE in a manner that permits the combined company to achieve the full benefit of synergies, cost savings and operational efficiencies that are anticipated to result from the merger;

- complexities associated with managing the larger, more complex combined business;

- complexities associated with integrating the workforces of the two companies;

- potential unknown liabilities and unforeseen expenses, delays or regulatory conditions associated with the merger, including one-time cash costs to integrate the two companies that may exceed the anticipated range of such one-time cash costs that Patterson-UTI and SSE estimated as of the date of execution of the merger agreement;

- difficulty or inability to refinance the debt of the combined company or comply with the covenants thereof;

- performance shortfalls at one or both of the companies as a result of the diversion of management s attention caused by completing the merger and integrating the companies operations; and

- the disruption of, or the loss of momentum in, each company s ongoing business or inconsistencies in standards, controls, systems, procedures and policies.

Any of these difficulties in successfully integrating the businesses of Patterson-UTI and SSE, or any delays in the integration process, could adversely affect the combined company s ability to achieve the anticipated benefits of the merger and could adversely affect the combined company s business, financial results, financial condition and stock price. Even if the combined company is able to integrate the business operations of Patterson-UTI and SSE successfully, there can be no assurance that this integration will result in the realization of the full benefits of synergies, cost savings, innovation and operational efficiencies that Patterson-UTI and SSE currently expect from this integration or that these benefits will be achieved within the anticipated time frame.

The future results of the combined company will suffer if the combined company does not effectively manage its expanded operations following the merger.

Following the merger, the size of the business of the combined company will increase significantly beyond the current size of either Patterson-UTI s or SSE s business. The combined company s future success depends, in part, upon its ability to manage this expanded business, which will pose substantial challenges for management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. There can be no assurances that the combined company will be successful or that it will realize the expected operating efficiencies, cost savings, revenue enhancements and other benefits currently anticipated from the merger.

Table of Contents

The combined company is expected to incur substantial expenses related to the merger and the integration of Patterson-UTI and SSE.

The combined company is expected to incur substantial expenses in connection with the merger and the integration of Patterson-UTI and SSE. There are a large number of processes, policies, procedures, operations, technologies and systems that must be integrated, including accounting and finance, asset management, benefits, billing, drilling and pressure pumping data solutions, health, safety and environment, human resources, maintenance, marketing, payroll and purchasing. While Patterson-UTI and SSE have assumed that a certain level of expenses will be incurred, there are many factors beyond their control that could affect the total amount or the timing of the integration expenses. Moreover, many of the expenses that will be incurred are, by their nature, difficult to estimate accurately. These expenses could, particularly in the near term, exceed the savings that the combined company expects to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings. These integration expenses could result in the combined company s taking charges against earnings following the completion of the merger, and the amount and timing of any such charges are uncertain at present.

The unaudited prospective financial information for Patterson-UTI and SSE included in this joint proxy statement/prospectus reflect management estimates and may not prove to be reflective of actual future results.

In connection with the merger, Patterson-UTI and SSE prepared and considered, among other things, certain internal, unaudited prospective financial information for Patterson-UTI and SSE, respectively. This unaudited prospective financial information included assumptions regarding future operating cash flows, expenditures and growth of Patterson-UTI and SSE. This internal, unaudited prospective financial information speaks only as of the date made and, except as required by applicable securities laws, will not be updated. This unaudited prospective financial information is subject to significant economic, competitive, industry and other uncertainties, including the factors described under Risk Factors beginning on page 35 and Special Note Regarding Forward-Looking Statements beginning on page 33, which factors and uncertainties may cause the unaudited prospective financial information or the underlying assumptions to be inaccurate. As a result of these contingencies, there can be no assurance that the unaudited prospective financial information of Patterson-UTI and SSE will be achieved in full, at all or within projected timeframes. In view of these uncertainties, the inclusion of the unaudited prospective financial information of Patterson-UTI and SSE in this joint proxy statement/prospectus should not be regarded as an indication that the board of directors of Patterson-UTI or SSE, Patterson-UTI, SSE, Merger Sub, Piper Jaffray or Morgan Stanley or any other recipient of this information considered, or now considers, it to be an assurance of the achievement of future results.

The unaudited prospective financial information was prepared for internal use and to assist Patterson-UTI and SSE with their due diligence investigations and their respective financial advisors with their financial analyses. The unaudited prospective financial information was not prepared with a view toward public disclosure or toward compliance with published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Pricewaterhouse Coopers LLP, the independent registered public accounting firm for both Patterson-UTI and SSE, has neither examined, complied nor performed any procedures with respect to the unaudited prospective financial information. For additional information regarding the unaudited prospective financial information, see The Merger Certain Unaudited Prospective Financial Information of Patterson-UTI and SSE beginning on page 106.

The unaudited pro forma financial information included in this document is presented for illustrative purposes only and may not be an indication of the combined company s financial condition or results of operations following the merger.

The unaudited pro forma financial information contained in this document is presented for illustrative purposes only, is based on various adjustments, assumptions and preliminary estimates and may not be an

42

indication of the combined company s financial condition or results of operations following the merger for several reasons. The actual financial condition and results of operations of the combined company following the merger may not be consistent with or evident from this unaudited pro forma financial information. In addition, the assumptions used in preparing the unaudited pro forma financial information may prove to be inaccurate, and other factors may affect the combined company s financial condition or results of operations following the merger. Any potential decline in the combined company s financial condition or results of operations may cause significant variations in the stock price of the combined company. See Unaudited Pro Forma Condensed Combined Financial Statements beginning on page 153.

Uncertainty about the merger and diversion of management could harm the combined company following the merger.

The combined company s success will be dependent upon the experience and industry knowledge of its officers and other key employees. The merger could result in current and prospective employees experiencing uncertainty about their future with the combined company following the merger. These uncertainties may impair the ability of the combined company to retain, recruit or motivate key personnel. In addition, completion of the merger and integrating the companies operations will require a significant amount of time and attention from management of the two companies. The diversion of management s attention away from ongoing operations could adversely affect business relationships of the combined company following the merger.

Uncertainties associated with the merger may cause a loss of key employees, which could adversely affect the future business and operations of the combined company.

Patterson-UTI and SSE are dependent on the experience and industry knowledge of their officers and other key employees to execute their business plans. Each company s success until the merger and the combined company s success after the merger will depend in part upon the ability of Patterson-UTI and SSE to retain key employees. Current and prospective employees of Patterson-UTI and SSE may experience uncertainty about their roles within the combined company following the merger, which may have an adverse effect on the ability of each of Patterson-UTI and SSE to attract or retain key personnel. Accordingly, no assurance can be given that the combined company will be able to attract or retain key employees of Patterson-UTI and SSE to the same extent that Patterson-UTI and SSE have previously been able to attract or retain their own employees.

The combined company may not be able to utilize a portion of SSE s or Patterson-UTI s net operating loss carryforwards (NOLs) to offset future taxable income for U.S. federal tax purposes, which could adversely affect the combined company s net income and cash flows.

As of September 30, 2016, SSE had federal income tax NOLs of approximately $146.5 million, net of estimated cancellation of indebtedness income, which will expire between 2034 and 2036, and, as of December 31, 2016, Patterson-UTI had federal income tax NOLs of approximately $483.8 million, which will expire between 2035 and 2036. Utilization of these NOLs depends on many factors, including the combined company s future taxable income, which cannot be predicted with any accuracy. In addition, Section 382 of the Code generally imposes an annual limitation on the amount of an NOL that may be used to offset taxable income when a corporation has undergone an ownership change (as determined under Section 382). Determining the limitations under Section 382 is technical and highly complex. An ownership change generally occurs if one or more shareholders (or groups of shareholders) who are each deemed to own at least 5% of the corporation s stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period.

SSE underwent an ownership change in 2016 as a result of its emergence from Chapter 11 bankruptcy proceedings, and we believe SSE will undergo another ownership change as a result of its acquisition pursuant to the merger, and the corresponding annual limitation associated with either of those changes in ownership could prevent the combined company from fully utilizing prior to their expiration SSE s NOLs as of the effective

Table of Contents

time. While Patterson-UTI s issuance of stock pursuant to the merger would, standing alone, be insufficient to result in an ownership change with respect to Patterson-UTI, we cannot assure you that Patterson-UTI will not undergo an ownership change as a result of the merger taking into account other changes in ownership of Patterson-UTI stock occurring within the relevant three-year period described above. If Patterson-UTI were to undergo an ownership change, the combined company may be prevented from fully utilizing Patterson-UTI s NOLs as of the time of the merger prior to their expiration. Future changes in stock ownership or future regulatory changes could also limit the combined company s ability to utilize SSE s or Patterson-UTI s NOLs. To the extent the combined company is not able to offset future taxable income with SSE s or Patterson-UTI s NOLs, the combined company s net income and cash flows may be adversely affected.

Fluctuations in oil and natural gas prices could adversely affect drilling, completion and production activities by oil and natural gas companies and the combined company s valuation, revenues, cash flows and profitability.

Following the completion of the merger, the combined company s operations will depend on the level of spending by oil and gas companies for drilling, completion and production activities. Both short-term and long-term trends in oil and natural gas prices affect these levels. Oil and natural gas prices, as well as the level of drilling, completion and production activity, can be highly volatile. For example, in 2016, oil prices were as high as $54.01 per barrel and as low as $26.19 per barrel. Worldwide military, political and economic events, including initiatives by the Organization of Petroleum Exporting Countries, affect both the demand for, and the supply of, oil and natural gas. Weather conditions, governmental regulation (both in the United States and elsewhere), levels of consumer demand, the availability of pipeline capacity and other factors that will be beyond the control of the combined company may also affect the supply of, demand for, and price of oil and natural gas. Lower oil and natural gas prices may cause some of the combined company s customers to terminate, seek to renegotiate or fail to honor their drilling contracts and affect the fair market value of its assets, which in turn could result in impairments of assets. A sustained period of low prices or further decline in oil and natural gas prices could adversely impact the combined company s cash forecast models used to determine whether the carrying value of its long-lived assets exceeds its future cash flows, which could result in future impairment to its long-lived assets. A prolonged period of lower oil and natural gas prices could also affect the combined company s ability to retain skilled personnel and affect its ability to access capital to finance and grow its business. There can be no assurances as to the future level of demand for the combined company s services or future conditions in the oil and natural gas and oilfield services industries.

Business issues currently faced by Patterson-UTI or SSE may be imputed to the operations of the other.

To the extent that either Patterson-UTI or SSE currently has or is perceived by customers to have operational challenges, such as service performance, safety issues or workforce issues, those challenges may raise concerns by existing customers of the other company following the merger, which may limit or impede the combined company s future ability to obtain additional work from those customers.

Risk Factors Relating to Patterson-UTI

Patterson-UTI s business is and will be subject to the risks described in Patterson-UTI s Annual Report on Form 10-K for the fiscal year ended December 31, 2015, as such risks may be updated or supplemented in Patterson-UTI s subsequently filed Quarterly Reports on Form 10-Q or Current Reports on Form 8-K, to the extent incorporated by reference into this joint proxy statement/prospectus. See Where You Can Find More Information beginning on page 250.

44

Table of Contents

Risk Factors Relating to SSE

SSE is dependent on CHK for a majority of its revenues. Therefore, SSE is indirectly subject to the business and financial risks of CHK. SSE has no control over CHK s business decisions and operations, and CHK is under no obligation to adopt a business strategy that is favorable to SSE.

SSE currently provides a significant percentage of its oilfield services and equipment to CHK and its working interest partners. For the nine months ended September 30, 2016 and the years ended December 31, 2015, 2014 and 2013, CHK and its working interest partners accounted for approximately 63%, 70%, 81% and 90% of SSE s revenues, respectively. If CHK ceases to engage SSE on terms that are attractive to SSE during any period, SSE s business, financial condition and results of operations would be materially adversely affected during such period. Accordingly, SSE is indirectly subject to the business and financial risks of CHK, some of which are the following:

- the volatility of oil and natural gas prices, which could have a negative effect on the value of CHK s oil and natural gas properties, its drilling program, its ability to finance its operations and its willingness to allocate capital toward exploration and development activities;
- the availability of capital on favorable terms to fund CHK s exploration and development activities;
- its discovery rate of new oil and natural gas reserves and the speed at which it develops such reserves;
- uncertainties inherent in estimating quantities of natural gas and oil reserves and projecting future rates of production;
- its drilling and operating risks, including potential environmental liabilities;
- pipeline, storage and other transportation capacity constraints and interruptions;
- adverse effects of governmental and environmental regulation; and
- losses from pending or future litigation.

In particular, CHK has generally made capital expenditures in excess of its operating cash flows. To fund these expenditures, CHK obtained capital from its revolving credit facility, the debt capital markets, oil and natural gas asset sales and other sources. If CHK is unable to generate cash flow from operations sufficient to fund its capital expenditures, CHK may be required to reduce its drilling and completion activities, which could have a material adverse impact on SSE s business, financial condition and results of operations.

Demand for services in SSE s industry is cyclical and depends on drilling and completion spending by CHK and other exploration and production companies in the U.S., and the level of such activity is cyclical.

Demand for services in SSE s industry is cyclical, and SSE depends on CHK s and its other customers willingness to make capital and operating expenditures to explore for, develop and produce oil and natural gas in the U.S. SSE s customers willingness to undertake these activities depends largely upon prevailing industry conditions that are influenced by numerous factors over which SSE has no control, including:

- prices, and expectations about future prices, of oil and natural gas;
- domestic and foreign supply of and demand for oil and natural gas;
- the availability, pricing and perceived safety of pipeline, trucking, train storage and other transportation capacity;
- lead times associated with acquiring equipment and availability of qualified personnel;
- the expected rates of decline in production from existing and prospective wells;
- the discovery rates of new oil and natural gas reserves;
- laws and regulations relating to environmental matters;

Table of Contents

- federal, state and local regulation of hydraulic fracturing and other oilfield activities, including public pressure on governmental bodies and regulatory agencies to regulate SSE s industry;

- adverse weather conditions, including hurricanes that can affect oil and natural gas operations over a wide area;

- oil refining capacity;

- merger and divestiture activity among oil and gas producers;

- tax laws, regulation and policies;

- the availability of water resources and suitable proppants in sufficient quantities and on acceptable terms for use in hydraulic fracturing operations;

- the availability, capacity and cost of disposal and recycling services for used hydraulic fracturing fluids;

- the political environment in oil and natural gas producing regions, including uncertainty or instability resulting from civil disorder, terrorism or war;

- advances in exploration, development and production technologies or in technologies affecting energy consumption;

- the price and availability of alternative fuels and energy sources;

- uncertainty in capital and commodities markets; and

- the ability of oil and natural gas producers to raise capital on favorable terms.

Anticipated future prices for crude oil and natural gas are a primary factor affecting spending and drilling and completions activity by exploration and production companies, including CHK. Actual or anticipated lower prices or volatility in prices for oil and natural gas typically decrease spending and drilling and completions activity, which can cause rapid and material declines in demand for SSE s services and in the prices SSE is able to charge for its services. Worldwide political, economic and military events as well as natural disasters and other factors beyond SSE s control contribute to oil and natural gas price levels and volatility and are likely to continue to do so in the future.

SSE negotiates the rates payable under its contracts based on prevailing market prices, and, consequently, the prices it is able to charge will fluctuate with market conditions. A material decline in oil and natural gas prices or drilling and completions activity levels or sustained lower prices or activity levels could have a material adverse effect on SSE s business, financial condition, results of operations and cash flows. For example, beginning at the end of the fourth quarter of 2014 and continuing throughout 2015, SSE experienced reductions in both the demand for its services and the prices it is able to charge as the sharp decline in oil prices has led its customers to reduce spending and cut costs. Further price declines or prolonged levels of low prices will further negatively affect the demand for SSE s services and the prices it is able to charge to its customers. Additionally, SSE may incur costs and have downtime during periods when its customers activities are refocused towards different drilling regions.

Spending by exploration and production companies can also be affected by conditions in the capital markets. Limitations on the availability of capital, or higher costs of capital, for financing expenditures may cause CHK and other exploration and production companies to make additional reductions to capital budgets in the future, even if oil or natural gas prices increase from current levels. Any such cuts in spending will curtail drilling and completion programs as well as discretionary spending on wellsite services, which may result in a reduction in the demand for SSE s services, the rates it can charge, and the utilization of its services. Moreover, reduced discovery rates of new oil and natural gas reserves, or a decrease in the development rate of reserves in SSE s market areas, whether due to increased governmental or environmental regulation, limitations on

Table of Contents

exploration and drilling and completions activity or other factors, could also have an impact on SSE s business, even in a stronger oil and natural gas price environment. An adverse development in any of these areas could have an adverse impact on SSE s customers operations or financial condition, which could in turn result in reduced demand for its products and services.

SSE s current backlog of contract drilling and hydraulic fracturing revenue may not be fully realized.

As of September 30, 2016, the contract backlog associated with SSE s drilling and hydraulic fracturing services was approximately $274 million, of which approximately $240 million was with CHK. SSE calculates its drilling backlog by multiplying the day rate under its contracts by the number of days remaining under the contract. SSE calculates its hydraulic fracturing backlog by multiplying the (i) rate per stage, which varies by operating region and is, therefore, estimated based on current customer activity levels by region and current contract pricing, by (ii) the number of stages remaining under the contract, which it estimates based on current and anticipated utilization of its crews. With respect to SSE s hydraulic fracturing backlog, its contracts provide for periodic adjustments of the rates it may charge for its services, which will be negotiated based on then-prevailing market pricing and in the future may be higher or lower than the current rates it charges and utilize in calculating SSE s backlog. SSE s drilling backlog calculation does not include any reduction in revenues related to mobilization or demobilization, nor does it include potential reductions in rates for unscheduled standby or during periods in which the rig is moving, on standby or incurring maintenance and repair time in excess of what is permitted under the drilling contract. The contractual rate may be higher than the actual rate SSE receives because of a number of factors, including downtime or suspension of operations. Several factors could cause downtime or a suspension of operations, many of which are beyond SSE s control, including:

- breakdowns of equipment;
- work stoppages, including labor strikes;
- shortages or material and skilled labor;
- severe weather or harsh operating conditions; and
- force majeure events.

In addition, many of SSE s drilling contracts are subject to termination by the customer on short notice and provide for an early termination payment to SSE in the event that the contract is terminated by the customer. SSE calculates its contract drilling early termination value assuming each rig remains stacked for the remainder of the term of the terminated contract. As a result of the foregoing, revenues could differ materially from the backlog and early termination amounts presented. Moreover, SSE can provide no assurance that its customers will be able or willing to fulfill their contractual commitments to SSE. Liquidity issues could lead SSE s customers to go into bankruptcy or could encourage its customers to seek to repudiate, cancel or renegotiate SSE s contracts for various reasons. Many of SSE s contracts permit early termination of the contracts by the customer for convenience (without cause), generally exercisable upon advance notice to SSE and in some cases without making an early termination payment to SSE. SSE s inability to realize the full amount of its contract backlog amounts and early termination amounts may have a material adverse effect on its business, financial position and results of operations.

SSE s industry is highly competitive. If SSE is unable to compete successfully, its profitability may be reduced.

The oilfield services industry in which SSE operates is highly competitive. Price competition, rig or fleet availability, location and suitability, experience of the workforce, safety records, financial strength, reputation, operating integrity and condition of the equipment are all factors used by customers in awarding contracts. SSE s future success and profitability will partly depend upon its ability to keep pace with its customers demands with respect to these factors. SSE s competitors are numerous, ranging from global diversified services companies to other independent marketers and distributors of varying sizes, financial resources and experience. Some of SSE s

47

Table of Contents

competitors may have greater financial, technical and personnel resources than SSE. Contracts are traditionally awarded on the basis of competitive bids or direct negotiations with customers. The competitive environment could intensify if there is consolidation among exploration and production companies because such consolidation would reduce the number of available customers. The fact that drilling rigs and other oilfield services equipment are mobile and can be moved from one area to another in response to market conditions heightens the competition in the industry. In addition, any increase in the supply of land drilling rigs and hydraulic fracturing fleets could have a material adverse impact on market prices under SSE s contracts and utilization rates of its services. This increased supply could also require higher capital investment to keep SSE s services competitive.

SSE s business involves many hazards and operational risks, and SSE is not insured against all the risks it faces.

SSE s operations are subject to many hazards and risks, including the following:

- accidents resulting in serious bodily injury and the loss of life or property;
- liabilities from accidents or damage by its fleet of trucks, rigs and other equipment;
- pollution and other damage to the environment;
- exposure to toxic gases or other hazardous substances;
- well blow-outs, the uncontrolled flow of oil, natural gas or other well fluids into or through the environment, including onto the ground or into the atmosphere, surface waters or an underground formation;
- fires and explosions;
- mechanical or technological failures;
- spillage handling and disposing of materials;
- adverse weather conditions; and
- failure of SSE s employees to comply with its internal environmental health and safety guidelines.

If any of these hazards occur, they could result in suspension of operations, termination of contracts without compensation, damage to or destruction of SSE s equipment and the property of others, or injury or death to SSE s personnel or third parties and could expose SSE to substantial liability or losses. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees and regulators. In addition, these risks may be greater for SSE upon the acquisition of another company that has not allocated significant resources and management focus to safety and has a poor safety record.

SSE is not fully insured against all risks inherent in its business. For example, SSE does not have any business interruption/loss of income insurance that would provide coverage in the event of damage to any of its equipment or facilities. Although SSE is insured for environmental pollution resulting from environmental accidents that occur on a sudden and accidental basis, SSE may not be insured against all environmental accidents that might occur, some of which may result in toxic tort claims. If a significant accident or event occurs for which SSE is not adequately insured, it could adversely affect its business, financial condition and results of operations. Furthermore, SSE may not be able to maintain or obtain insurance of the type and amount it desires at reasonable rates. As a result of market conditions, premiums and deductibles for certain of SSE s insurance policies may substantially increase. In some instances, certain insurance could become unavailable or available only for reduced amounts of coverage.

SSE s business may be adversely affected by a deterioration in general economic conditions or the further weakening of the broader energy industry.

A prolonged economic slowdown, another recession in the United States, adverse events relating to the energy industry and local, regional and national economic conditions and factors, particularly a worsening of the continuing downturn in the exploration and production sector, could negatively impact SSE s operations and therefore, adversely affect its results. The risks associated with SSE s business are more acute during periods of economic slowdown or recession because such periods may be accompanied by decreased spending by its customers.

SSE s assets may require significant amounts of capital for maintenance, upgrades and refurbishment.

SSE s drilling rigs and hydraulic fracturing fleets may require significant capital investment in maintenance, upgrades and refurbishment to maintain the competitiveness of its assets. SSE s rigs and fleets typically do not generate revenue while they are undergoing maintenance, refurbishment or upgrades. Any maintenance, upgrade or refurbishment project for SSE s assets could increase its indebtedness or reduce cash available for other opportunities. Further, such projects may require proportionally greater capital investments as a percentage of total asset value, which may make such projects difficult to finance on acceptable terms. To the extent SSE is unable to fund such projects, SSE may have fewer rigs and fleets available for service or its rigs and fleets may not be attractive to potential or current customers. Such demands on SSE s capital or reductions in demand for SSE s rigs and fleets could have a material adverse effect on its business, financial condition and results of operations.

SSE participates in a capital intensive industry and it may not be able to finance its capital needs.

SSE intends to rely primarily on cash on hand, cash flows from operating activities and borrowings under its credit facility to fund its future capital expenditures. If SSE s cash on hand, cash flows from operating activities and borrowings under its credit facility are not sufficient to fund its capital expenditures, it would be required to fund these expenditures through the issuance of debt or equity or alternative financing plans, such as:

- refinancing or restructuring SSE s debt;
- selling assets; or
- reducing or delaying acquisitions or capital investments, such as planned upgrades or acquisitions of equipment and refurbishments of SSE s rigs and related equipment, even if previously publicly announced.

The terms of existing or future debt instruments and the terms of the merger agreement may restrict SSE from adopting some of these alternatives. If debt and equity capital or alternative financing plans are not available on favorable terms or at all, SSE would be required to curtail its capital spending, and its ability to sustain or improve its profits may be adversely affected. SSE s ability to refinance or restructure its debt will depend on the condition of the capital markets and its financial condition at such time, among other things. Any refinancing of SSE debt could be at higher interest rates and may require SSE to comply with more onerous covenants, which could further restrict its business operations.

Shortages or increases in the costs of the equipment SSE uses in its operations could adversely affect its operations in the future.

SSE generally does not have long term contracts in place that provide for the delivery of equipment, including, but not limited to, drill pipe, replacement parts and other equipment. SSE could experience delays in the delivery of the equipment that it has ordered and its placement into service due to factors that are beyond SSE s control. New federal regulations regarding diesel engines, demand by other oilfield services companies and numerous other factors beyond

SSE s control could adversely affect SSE s ability to procure equipment that it has not yet ordered or cause the prices of such equipment to increase. Price increases, delays in delivery and interruptions in supply may require SSE to increase capital and repair expenditures and incur higher operating costs. In certain instances, SSE may have the ability to cancel purchases of equipment that may no longer be needed. Each of these could have a material adverse effect on its business, financial condition and results of operations.

Table of Contents

SSE is dependent on a small number of suppliers for key raw materials and finished products.

SSE does not have long term contracts with third party suppliers for many of the raw materials and finished products that it uses in large volumes in its operations, including, in the case of its hydraulic fracturing operations, proppants, acid, gels, including guar gum, chemicals and water, and fuels used in SSE s equipment and vehicles. Especially during periods in which oilfield services are in high demand, the availability of raw materials and finished products used in SSE s industry decreases and the price of such raw materials and finished products increases. SSE is dependent on a small number of suppliers for key raw materials and finished products. SSE s reliance on such suppliers could increase the difficulty of obtaining such raw materials and finished products in the event of shortage in SSE s industry or cause it to pay higher prices to obtain such raw materials and finished products. Price increases, delays in delivery and interruptions in supply may require SSE to incur higher operating costs. Each of these could have a material adverse effect on SSE s business, financial condition and results of operations.

The loss of key executives could adversely affect SSE s ability to effectively operate and manage its business.

SSE is dependent upon the efforts and skills of its executives to operate and manage its business. SSE cannot assure you that it will be able to retain these employees, and the loss of the services of one or more of its key executives could increase its exposure to the other risks described in this Risk Factors section. SSE does not maintain key man insurance on any of its personnel.

SSE may record losses or impairment charges related to idle assets or assets that it sells.

Prolonged periods of low utilization, changes in technology or the sale of assets below their carrying value may cause SSE to experience losses. These events could result in the recognition of impairment charges that reduce its net income. Significant impairment charges as a result of adverse market conditions or otherwise could have a material adverse effect on SSE s financial condition.

The unavailability of skilled workers could hurt SSE s operations.

SSE is dependent upon the available pool of skilled employees to conduct its business safely, reliably and efficiently. SSE competes with other oilfield services businesses and other employers to attract and retain qualified personnel with the technical skills and experience required to provide the highest quality service. Historically, SSE s industry has experienced high employee turnover rates as a result of both the physically demanding nature of the work and the volatile and cyclical nature of the oilfield services industry. For example, there have been significant reductions in employee headcount throughout the oilfield services industry due to low oil and natural gas prices since mid-2014. Particularly if the current downturn is prolonged, many of these workers may retire or pursue employment opportunities in other industries, many of which may offer a more desirable work environment at wage rates that are competitive with SSE s. SSE cannot assure you that it will be able to recruit, train and retain an adequate number of workers to replace departing workers or that might be needed to take advantage of opportunities once the current business environment begins to improve. The inability to maintain an adequate workforce could have a material adverse effect on its business, financial condition, cash flows and results of operations.

During periods of high drilling and completions activities levels, the demand for skilled workers is high and the supply is limited, and a shortage in the labor pool of skilled workers or other general inflationary pressures or changes in applicable laws and regulations have in the past, and could in the future, make it more difficult for SSE to attract and retain personnel and require it to enhance its wage and benefits packages thereby increasing its operating costs.

Although SSE s employees are not covered by a collective bargaining agreement, union organizational efforts could occur and, if successful, could increase SSE s labor costs. A significant increase in the wages paid

Table of Contents

by competing employers or the unionization of groups of SSE s employees could result in increases in the wage rates that SSE must pay. Likewise, laws and regulations to which SSE are subject, such as the Fair Labor Standards Act, which governs such matters as minimum wage, overtime and other working conditions, can increase SSE s labor costs or subject it to liabilities to its employees. SSE cannot assure you that labor costs will not increase. Increases in SSE s labor costs or unavailability of skilled workers could impair its capacity and diminish its profitability, having a material adverse effect on its business, financial condition and results of operations.

SSE s inability to obtain or implement new technology may cause SSE 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 or costly to obtain. As competitors and others use or develop new technologies in the future, SSE may be placed at a competitive disadvantage. Furthermore, SSE may face competitive pressure to implement or acquire certain new technologies at a substantial cost. Some of its competitors have greater financial, technical and personnel resources that may allow them to enjoy technological advantages and implement new technologies before SSE can. SSE cannot be certain that it will be able to implement new technologies or products on a timely basis or at an acceptable cost. Thus, limits on SSE s ability to effectively use and implement new and emerging technologies may have a material adverse effect on SSE s business, financial condition and results of operations.

Oilfield anti-indemnity provisions enacted by many states may restrict or prohibit a party s indemnification of SSE.

SSE typically enters into agreements with its customers governing the provision of its services, which usually include certain indemnification provisions for losses resulting from operations. Such agreements may require each party to indemnify the other against certain claims regardless of the negligence or other fault of the indemnified party; however, many states place limitations on contractual indemnity agreements, particularly agreements that indemnify a party against the consequences of its own negligence. Furthermore, certain states, including Louisiana, New Mexico, Texas and Wyoming, have enacted statutes generally referred to as oilfield anti-indemnity acts expressly prohibiting certain indemnity agreements contained in or related to oilfield services agreements. Such oilfield anti-indemnity acts may restrict or void a party s indemnification of SSE, which could have a material adverse effect on SSE s business, financial condition and results of operations.

Delays in obtaining permits by SSE s customers for their operations could impair SSE s business.

SSE s customers are required to obtain permits from one or more governmental agencies in order to perform drilling and/or completion activities. Such permits are typically required by state agencies but can also be required by federal and local governmental agencies. The requirements for such permits vary depending on the location where such drilling and completion activities will be conducted. As with all governmental permitting processes, there is a degree of uncertainty as to whether a permit will be granted, the time it will take for a permit to be issued and the conditions which may be imposed in connection with the granting of the permit. Certain regulatory authorities have delayed or suspended the issuance of permits while the potential environmental impacts associated with issuing such permits can be studied and appropriate mitigation measures evaluated. Permitting delays, an inability to obtain new permits or revocation of SSE or SSE customers current permits could cause a loss of revenue and could materially and adversely affect SSE s business, financial condition and results of operations.

Changes in laws or government regulations regarding hydraulic fracturing could increase SSE s costs of doing business, limit the areas in which SSE s customers can operate and reduce oil and natural gas production by SSE s customers, which could adversely impact its business.

The hydraulic fracturing process is water intensive and there has been increased public concern regarding the usage of water supplies for hydraulic fracturing, an alleged potential for hydraulic fracturing to adversely

Table of Contents

affect drinking water, and the suitability of disposal outlets for fracturing fluids. This has led to federal, state and local proposals that would increase the regulatory burden on hydraulic fracturing. Presently, hydraulic fracturing is regulated primarily at the state level, typically by state oil and natural gas commissions and similar agencies. Several states where SSE conducts its water and environmental services business, such as Texas and Pennsylvania, have either adopted or proposed laws and/or regulations to require oil and natural gas operators to disclose chemical ingredients and water volumes used to hydraulically fracture wells. The chemical ingredient information is generally available to the public via online databases, and this may bring more public scrutiny to hydraulic fracturing operations. Apart from disclosure obligations, states have been imposing more stringent well construction and monitoring requirements. Local governments likewise have been enacting restrictions on fracturing. Congress has in recent legislative sessions considered legislation to amend the SDWA (as defined below), including legislation that would repeal the exemption for hydraulic fracturing from the definition of underground injection and require federal permitting and regulatory control of hydraulic fracturing, as well as legislative proposals to require disclosure of the chemical constituents of the fluids used in the fracturing process. The U.S. Congress may consider similar SDWA legislation in the future.

Federal agencies have been pursuing a variety of initiatives relating to hydraulic fracturing. For example, the EPA has asserted federal regulatory authority pursuant to the SDWA over certain hydraulic fracturing activities involving the use of diesel fuels and published permitting guidance on February 11, 2014 addressing the performance of such activities using diesel fuels in those states where the EPA is the permitting authority. Also, in 2014, the EPA issued an advance notice of proposed rulemaking under the Toxic Substances Control Act to solicit public input on the information that should be reported or disclosed for hydraulic fracturing chemical substances and mixtures. Further, the EPA proposed federal Clean Water Act regulations in 2015 that would govern wastewater discharges to publicly owned treatment works from hydraulic fracturing and certain other natural gas operations. In addition, the U.S. Department of the Interior has promulgated a final rule for hydraulic fracturing activities on federal lands, including requirements for disclosure, well bore integrity and handling of flowback water. Moreover, in June 2012, the Occupational Safety and Health Administration (OSHA) and the National Institute of Occupational Safety and Health (NIOSH) issued a joint hazard alert for workers who use silica (commonly referred to as sand) in hydraulic fracturing activities. OSHA formally proposed to lower the permissible exposure limit for airborne silica in 2013, and it has prepared guidance identifying other workplace hazards resulting from hydraulic fracturing along with ways to reduce exposure to those hazards.

In addition, the EPA recently conducted a study of the potential impacts of hydraulic fracturing activities on drinking water. The EPA released a final report in December 2016. This study, or other studies that may be undertaken by the EPA or other governmental authorities, could spur still additional initiatives to regulate hydraulic fracturing under the SDWA or otherwise. If new federal, state or local laws or regulations that significantly restrict hydraulic fracturing activities are adopted, such legal requirements could result in delays, eliminate certain drilling and completions activities and make it more difficult or costly for SSE to perform fracturing. Any such regulations limiting or prohibiting hydraulic fracturing could reduce oil and natural gas exploration and production activities by SSE s customers and, therefore, adversely affect SSE s business. Such laws or regulations could also materially increase SSE s costs of compliance and doing business by more strictly regulating how hydraulic fracturing wastes are handled or disposed. The impact of such requirements could be materially adverse to SSE s business, financial condition and results of operations.

SSE and its customers are subject to federal, state and local laws and regulations regarding issues of health, safety, climate change and protection of the environment. Under these laws and regulations, SSE may become liable for penalties, damages or costs of remediation or other corrective measures. Any changes in laws or government regulations could increase SSE s costs of doing business.

SSE and its customers operations are subject to stringent federal, state and local laws and regulations relating to, among other things, protection of natural resources, wetlands, endangered species, the environment, health and safety, waste management, waste disposal and transportation of waste and other materials. SSE s operations pose risks of environmental liability, including leakage or spills from SSE s operations to surface or subsurface soils, surface water or groundwater. Environmental laws and regulations often impose strict liability and may impose joint and several liability. Therefore, in some situations, SSE could be exposed to liability as a result of its conduct that was lawful at the time it occurred or the conduct of, or conditions caused by, third parties without regard to whether SSE caused or contributed to the conditions. Actions arising under these laws and regulations could result in the shutdown of SSE s operations, fines and penalties, expenditures for remediation or other corrective measures, and claims for liability for property damage, exposure to hazardous materials, exposure to hazardous waste or personal injuries. Sanctions for noncompliance with applicable environmental laws and regulations also may include the assessment of administrative, civil or criminal penalties, revocation of permits, temporary or permanent cessation of operations in a particular location and issuance of corrective action orders. Such claims or sanctions and related costs could cause SSE to incur substantial costs or losses and could have a material adverse effect on its business, financial condition and results of operations. Additionally, an increase in regulatory requirements on oil and natural gas exploration and completion activities could significantly delay or interrupt SSE s operations.

In response to certain scientific studies suggesting that emissions of GHGs, including carbon dioxide and methane, are contributing to the warming of the Earth s atmosphere and other climatic conditions, the U.S. Congress has considered adopting comprehensive legislation to reduce emissions of GHGs, and almost one-half of the states have already taken legal measures to reduce emissions of GHGs, primarily through measures to promote the use of renewable energy and/or regional GHG cap-and-trade programs. In addition, in December 2009, the EPA determined that emissions of carbon dioxide, methane and certain other GHGs endanger public health and the environment because emissions of such gases are, according to the EPA, contributing to warming of the Earth s atmosphere and other climatic changes. Based on these findings, the EPA has begun adopting and implementing regulations to restrict emissions of GHGs under existing provisions of the Clean Air Act (the CAA). The EPA has already adopted rules under the CAA that, among other things, cover reductions in GHG emissions from motor vehicles, permits for certain large stationary sources of GHGs, monitoring and annual reporting of GHG emissions from specified GHG emission sources, including oil and natural gas exploration and production operations, and power plant performance standards that are designed to lead to the creation of additional state GHG control programs. Although it is not possible at this time to estimate how potential future laws or regulations addressing GHG emissions would impact SSE s business, either directly or indirectly, any future federal, state or local laws or implementing regulations that may be adopted to address GHG emissions in areas where SSE operates could require SSE or its customers to incur increased compliance and operating costs. Regulation of GHGs could also result in a reduction in demand for and production of oil and natural gas, which would result in a decrease in demand for SSE s services. Additionally, to the extent that unfavorable weather conditions are exacerbated by global climate change or otherwise, SSE s operations may be adversely affected to a greater degree than it has previously experienced, including an increase in delays and costs. SSE cannot predict with any certainty at this time how these possibilities may affect its operations, but effects could be materially adverse. Restrictions on emissions of methane or carbon dioxide that may be imposed in various states likewise could adversely affect the oil and natural gas industry. Moreover, incentives to conserve energy or use alternative energy sources could reduce demand for oil and natural gas.

The EPA regulates air emissions from certain off-road diesel engines that are used by SSE to power equipment in the field. Under these Tier IV regulations, SSE is required to retrofit or retire certain engines, and SSE is limited in the number of non-compliant off-road diesel engines it can purchase. Tier IV engines are costlier and are not always available. Until Tier IV-compliant engines that meet SSE s needs are available, these regulations could limit its ability to acquire a sufficient number of engines to expand its fleet and to replace existing engines as they are taken out of service.

Laws protecting the environment generally have become more stringent over time and SSE s expects them to continue to do so, which could lead to material increases in SSE s costs for future environmental compliance and remediation.

53

Table of Contents

Severe weather could have a material adverse effect on SSE s business.

Adverse weather can directly impede SSE s operations. Repercussions of severe weather conditions may include:

- curtailment of services;
- weather-related damage to facilities and equipment, resulting in suspension of operations;
- inability to deliver equipment and personnel to job sites in accordance with contract schedules; and
- loss of productivity.

These constraints could delay SSE s operations and materially increase its operating and capital costs. Unusually warm winters or cool summers may also adversely affect the demand for its services by decreasing the demand for natural gas. SSE s operations in semi-arid regions can be affected by droughts and other lack of access to water used in SSE s operations, especially with respect to SSE s hydraulic fracturing operations.

Cybersecurity risks and threats could affect SSE s business.

SSE relies heavily on information systems to conduct its business. There can be no assurance that the systems SSE has designed to prevent or limit the effects of cyber incidents or attacks will be sufficient to prevent or detect such incidents or attacks, or to avoid a material impact on SSE s systems when such incidents or attacks do occur. If SSE s systems for protecting against cybersecurity risks are circumvented or breached, it could result in the loss of SSE s intellectual property or other proprietary information, including customer data, as well as disrupt SSE s normal business operations and result in significant costs to remedy the effects of such incidents.

A sustained failure of SSE s enterprise resource planning systems could adversely affect SSE s business.

Since the spin-off, SSE has implemented and used enterprise resource planning systems to operate its business. A sustained failure of these systems could adversely affect its business by preventing it from:

- closing its financials and preparing financial statements;
- tracking its repair and maintenance, payroll and other expenses;
- tracking fixed assets or purchase orders and receipts for supply chain purchases;
- gaining visibility of the financial performance at each of lines of business; and

being able to properly manage the needs of customers.

Since the completion of implementation, SSE has begun to integrate its enterprise resource planning systems into its operations. If its information technology systems are disrupted due to problems with the integration of such systems or otherwise, SSE s customers could determine that SSE has become unreliable and decrease their utilization of its services. Such a disruption to SSE s information technology systems could have an adverse effect on its business, financial condition and results of operations.

SSE is subject to continuing contingent tax liabilities of CHK following the spin-off.

Under the Code and the related rules and regulations, each corporation that was a member of CHK s consolidated tax reporting group during any taxable period or portion of any taxable period ending on or before the effective time of the spin-off is jointly and severally liable for the federal income tax liability of the entire consolidated tax reporting group for that taxable period. SSE has entered into a tax sharing agreement with CHK that allocates the responsibility for prior year taxes of CHK s consolidated tax reporting group between SSE and CHK and its subsidiaries. However, if CHK were unable to pay, SSE nevertheless could be required to pay the entire amount of such taxes.

Table of Contents

SSE s tax sharing agreement limits its ability to take certain actions and may require SSE to indemnify CHK for significant tax liabilities which cannot be precisely quantified at this time.

Under the terms of SSE s tax sharing agreement with CHK, SSE generally is responsible for all taxes attributable to its business, whether accruing before, on or after the date of the spin-off, and CHK generally is responsible for any taxes arising from the spin-off or certain related transactions that are imposed on SSE, CHK or its other subsidiaries. Although CHK generally will be responsible for any taxes arising from the spin-off, SSE would be responsible for any such taxes to the extent such taxes result from certain actions or failures to act by SSE that occur after June 30, 2014, the effective date of the tax sharing agreement. SSE s liabilities under the tax sharing agreement could have a material adverse effect on SSE. At this time, SSE cannot precisely quantify the amount of liabilities it may have under the tax sharing agreement and there can be no assurances as to their final amounts.

In addition, in the tax sharing agreement SSE covenanted not to take any action, or fail to take any action, after the effective date of the tax sharing agreement, which action or failure to act is inconsistent with the spin-off qualifying under Sections 355 and 368(a)(1)(D) of the Code. As a result, SSE might determine to continue to operate certain of its business operations for the foreseeable future even if a sale or discontinuance of such business might otherwise have been advantageous.

Potential indemnification liabilities to CHK pursuant to the master separation agreement could materially adversely affect SSE.

The master separation agreement with CHK provides for, among other things, provisions governing the relationship between SSE and CHK resulting from the spin-off. Among other things, the master separation agreement provides for indemnification obligations designed to make SSE financially responsible for substantially all liabilities that may exist relating to its business activities incurred after the spin-off. If SSE is required to indemnify CHK under the circumstances set forth in the master separation agreement, SSE may be subject to substantial liabilities. Additionally, in certain circumstances, SSE will be prohibited from making an indemnity claim until it first seeks an insurance recovery.

In connection with SSE s separation from CHK, CHK indemnified SSE for certain liabilities. However, there can be no assurance that the indemnities will be sufficient to insure SSE against the full amount of such liabilities, or that CHK s ability to satisfy its indemnification obligation will not be impaired in the future.

Pursuant to the master separation agreement and tax sharing agreement, CHK agreed to indemnify SSE for certain liabilities. However, third parties could seek to hold SSE responsible for any of the liabilities that CHK has agreed to retain, and there can be no assurance that the indemnity from CHK will be sufficient to protect SSE against the full amount of such liabilities, or that CHK will be able to fully satisfy its indemnification obligations. Moreover, even if SSE ultimately succeeds in recovering from CHK any amounts for which SSE is held liable, SSE may be temporarily required to bear these losses. If CHK is unable to satisfy its indemnification obligations, the underlying liabilities could have a material adverse effect on SSE s business, financial condition and results of operations.

SSE s actual financial results after emergence from bankruptcy are not comparable to its historical financial information as a result of SSE s adoption of fresh-start accounting.

Upon SSE s emergence from bankruptcy, it adopted fresh-start accounting. Accordingly, SSE s financial conditions and results of operations following its emergence from bankruptcy are not comparable to the financial condition or results of operations reflected in SSE s historical financial statements. SSE s financial results for future periods following the application of fresh-start accounting will be different from historical trends and such differences may be material.

Table of Contents

SSE s historical financial information with respect to periods prior to June 30, 2014 is not necessarily indicative of its future financial condition or future results of operations nor does it reflect what SSE s financial condition or results of operations would have been as an independent public company during those periods.

The historical financial information prior to June 30, 2014 that SSE has included in this joint proxy statement/prospectus does not reflect what SSE s financial condition or results of operations would have been as an independent public company during the periods presented and is not necessarily indicative of SSE s future financial condition or future results of operations. This is primarily a result of the following factors:

- SSE s historical financial results prior to June 30, 2014 reflect allocations of expenses for services historically provided by CHK, and those allocations may be significantly lower than the comparable expenses SSE would have incurred as an independent company;

- SSE s historical financial results prior to June 30, 2014 reflect CHK s guarantee of utilization levels for SSE s drilling rigs and following the spin-off such guarantee was terminated;

- SSE s historical financial results prior to June 30, 2014 do not reflect various transactions that were effected in connection with the spin-off;

- contracts with customers may be at less favorable rates than those in place under SSE s arrangement with CHK prior to the spin-off;

- SSE s cost of debt and other capitalization is different from that reflected in its historical financial statements; and

- the historical financial information may not fully reflect the increased costs associated with being an independent public company, including significant changes in SSE s cost structure, management, financing arrangements, cash tax payment obligations and business operations as a result of SSE s spin-off from CHK, including all the costs related to being an independent public company.

Members of SSE s management may have conflicts of interest because of their ownership of shares of common stock of CHK.

Members of SSE s management own shares of common stock of CHK. This ownership could create, or appear to create, potential conflicts of interest when SSE s executive officers are faced with decisions that could have different implications for SSE and CHK.

SSE identified a material weakness in its internal control over financial reporting that could, if not remediated, result in material misstatements in its financial statements.

A material weakness in SSE s controls over financial reporting has existed since December 31, 2015, related to SSE s review of the accuracy and support of certain assumptions related to its property and equipment impairment assessments, which impacts its analysis of the recoverability of the carrying value of property and equipment. As of September 30, 2016, SSE s management, with the participation of its chief executive officer and chief financial officer, evaluated the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Rule 13a-15(b) and 15d-15(b) of the Exchange Act. Based upon that evaluation and because of the material weakness noted above, SSE s chief executive officer and chief financial officer concluded that SSE s disclosure controls and procedures were not effective as of December 31, 2015.

SSE is taking specific steps to remediate the material weakness that it identified; however, the material weakness will not be remediated until the necessary controls have been implemented and it has determined the controls to be operating effectively. Because the reliability of the internal control process requires repeatable execution, the successful remediation of this material weakness will require review and evidence of effectiveness prior to concluding that the controls are effective. In addition, SSE may need to take additional measures to address the material weakness or modify the remediation steps, and it cannot be certain that the measures it has taken, and expects to take, to improve its internal controls will be sufficient to address the issues identified, to ensure that its internal controls are effective or to ensure that the identified material weakness will not result in a material misstatement of its annual or interim consolidated financial statements. Implementing any appropriate changes to our internal controls may distract SSE s officers and employees from other management duties and require material cost to implement new process or modify its existing processes. If SSE is unable to correct the material weakness or deficiencies in internal controls in a timely manner, SSE s ability to record, process, summarize and report financial information accurately and within the time periods specified in the rules and forms of the SEC will be adversely affected. This failure could negatively affect the price of SSE s common stock, cause investors to lose confidence in SSE s reported financial information, subject SSE to civil and criminal investigations and penalties, and generally materially and adversely affect SSE s business and financial condition.

Although SSE is committed to continuing to improve its internal control processes to ensure the adequacy of the internal controls over financial reporting, any control system, regardless of how well designed, operated and evaluated, can provide only reasonable, not absolute, assurance that its objectives will be met. Therefore, SSE cannot be certain that, in the future, additional material weaknesses or significant deficiencies will not exist or otherwise be discovered. If SSE s efforts to address a material weakness identified are not successful, or if other deficiencies occur, these weaknesses or deficiencies could result in misstatements of SSE s annual or interim consolidated financial statements, negatively affect the price of SSE s common stock, cause investors to lose confidence in its reported financial information, subject SSE to civil and criminal investigations and penalties, and generally materially and adversely affect SSE s business and financial condition.

Table of Contents

THE COMPANIES

Patterson-UTI Energy, Inc.

Patterson-UTI Energy, Inc., a Delaware corporation, is a Houston, Texas-based oilfield services company that owns and operates in the United States one of the largest fleets of land-based drilling rigs and a large fleet of pressure pumping equipment. Patterson-UTI s contract drilling business operates in the continental United States and western Canada. Patterson-UTI provides pressure pumping services to oil and natural gas operators primarily in Texas and the Appalachian region. Patterson-UTI also owns and invests in oil and natural gas assets that are primarily located in Texas and New Mexico as a non-operating working interest owner. Patterson-UTI, through its Warrior Rig Technologies subsidiary, provides pipe handling components and related technology to drilling contractors around the world. As of September 30, 2016, Patterson-UTI had a drilling fleet that included 161 APEX® rigs. As of September 30, 2016, Patterson-UTI had approximately 1.1 million hydraulic horsepower to provide pressure pumping services.

Patterson-UTI s common stock is traded on the Nasdaq Global Select Market under the symbol PTEN.

The principal executive offices of Patterson-UTI are located at 10713 West Sam Houston Parkway North, Suite 800, Houston, Texas 77064, and Patterson-UTI s telephone number is (281) 765-7100. Additional information about Patterson-UTI and its subsidiaries is included in documents incorporated by reference into this joint proxy statement/prospectus. See Where You Can Find More Information on page 250.

Seventy Seven Energy Inc.

Seventy Seven Energy Inc., a Delaware corporation, is an Oklahoma City-based independent oilfield services company that provides a wide range of wellsite services and equipment to U.S. land-based exploration and production customers operating in unconventional resource plays. SSE offers services and equipment that are strategic to its customers oil and natural gas operations. SSE s services include drilling, hydraulic fracturing and oilfield rentals. SSE s operations are geographically diversified across many of the most active oil and natural gas plays in the onshore United States, including the Anadarko and Permian Basins and the Eagle Ford, Haynesville, Marcellus, Niobrara and Utica Shales.

On June 30, 2014, SSE separated from Chesapeake Energy Corporation (CHK) in a series of transactions, which is referred to in this joint proxy statement/prospectus as the spin-off. Prior to the spin-off, SSE was an Oklahoma limited liability company operating under the name Chesapeake Oilfield Operating, L.L.C. and an indirect, wholly owned subsidiary of CHK.

SSE s common stock is traded on the OTC Market Group Inc. s OTC Grey market (the OTC Grey) under the symbol SVNT.

The principal executive offices of SSE are located at 777 NW 63rd St., Oklahoma City, Oklahoma 73116, and SSE s telephone number is (405) 608-7777.

Pyramid Merger Sub, Inc.

Pyramid Merger Sub, Inc., a wholly owned subsidiary of Patterson-UTI, is a Delaware corporation that was formed on December 7, 2016 for the sole purpose of effecting the merger. In the merger, Merger Sub will be merged with and into SSE, with SSE surviving the merger as a wholly owned subsidiary of Patterson-UTI.

Table of Contents

THE PATTERSON-UTI SPECIAL MEETING

This joint proxy statement/prospectus is being provided to the Patterson-UTI stockholders as part of a solicitation of proxies by the Patterson-UTI board of directors for use at the Patterson-UTI special meeting to be held at the time and place specified below and at any properly convened meeting following an adjournment or postponement thereof. This joint proxy statement/prospectus provides Patterson-UTI stockholders with information they need to know to be able to vote or instruct their vote to be cast at the Patterson-UTI special meeting.

Date, Time and Place

The special meeting of Patterson-UTI stockholders will be held at Patterson-UTI s executive offices at 10713 West Sam Houston Parkway North, Suite 800, Houston, Texas 77064, on , 2017, at , local time.

Purpose of the Patterson-UTI Special Meeting

At the Patterson-UTI special meeting, Patterson-UTI stockholders will be asked to consider and vote on the following:

- a proposal to approve the issuance of shares of Patterson-UTI common stock to SSE stockholders in connection with the merger;

- a proposal to approve the adjournment of the Patterson-UTI special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the first proposal listed above.

Completion of the merger is conditioned on approval of the issuance of shares of Patterson-UTI common stock to SSE stockholders in connection with the merger.

Recommendation of the Patterson-UTI Board of Directors

At a special meeting held on December 12, 2016, the Patterson-UTI board of directors unanimously approved the merger agreement, the merger and the other transactions contemplated by the merger agreement, and declared the merger agreement, the merger and the other transactions contemplated by the merger agreement (including the issuance of shares of Patterson-UTI common stock to SSE stockholders in connection with the merger) to be advisable and fair to and in the best interests of Patterson-UTI stockholders. **Accordingly, the Patterson-UTI board of directors unanimously recommends that Patterson-UTI stockholders vote FOR the proposal to approve the issuance of shares of Patterson-UTI common stock to SSE stockholders in connection with the merger and FOR the proposal to approve the adjournment of the Patterson-UTI special meeting, if necessary or appropriate, to permit further solicitation of proxies.**

Patterson-UTI stockholders should read carefully this joint proxy statement/prospectus including any documents incorporated by reference and the Annexes in their entirety for more detailed information concerning the merger and the transactions contemplated by the merger agreement.

Patterson-UTI Record Date; Stockholders Entitled to Vote

The record date for the Patterson-UTI special meeting is , 2017. Only record holders of shares of Patterson-UTI common stock at the close of business on such date are entitled to notice of, and to vote at, the Patterson-UTI special meeting. At the close of business on the record date, Patterson-UTI s only outstanding class of voting securities was the Patterson-UTI common stock, and shares of Patterson-UTI common stock were issued and outstanding. A list of the Patterson-UTI stockholders of record who are entitled to vote at

Table of Contents

the Patterson-UTI special meeting will be available for inspection by any Patterson-UTI stockholder for any purpose germane to the special meeting during ordinary business hours for the ten days preceding the Patterson-UTI special meeting at Patterson-UTI s executive offices at 10713 West Sam Houston Parkway North, Suite 800, Houston, Texas 77064 and will also be available at the Patterson-UTI special meeting for examination by any stockholder present at such meeting.

Each share of Patterson-UTI common stock outstanding on the record date for the Patterson-UTI special meeting is entitled to one vote on each proposal and any other matter coming before the Patterson-UTI special meeting.

Voting by Patterson-UTI s Directors and Executive Officers

At the close of business on the record date for the Patterson-UTI special meeting, Patterson-UTI directors and executive officers were entitled to vote shares of Patterson-UTI common stock or approximately of the shares of Patterson-UTI common stock outstanding on that date. The Patterson-UTI directors and executive officers are currently expected to vote their shares in favor of all Patterson-UTI proposals.

Quorum

No business may be transacted at the Patterson-UTI special meeting unless a quorum is present. Stockholders who hold shares representing at least a majority of the voting power of all outstanding shares of common stock entitled to vote at the Patterson-UTI special meeting must be present in person or represented by proxy to constitute a quorum. If a quorum is not present at the special meeting, or if a quorum is present at the special meeting but there are not sufficient votes at the time of the special meeting to approve the proposal to issue shares of Patterson-UTI common stock in connection with the merger, then the chairman of the meeting has the power to adjourn the meeting, or, alternatively, Patterson-UTI stockholders may be asked to vote on a proposal to adjourn the Patterson-UTI special meeting in order to permit the further solicitation of proxies. No notice of an adjourned meeting need be given unless the date, time and place of the resumption of the meeting are not announced at the adjourned meeting, the adjournment is for more than 30 days, or, if after the adjournment, a new record date is fixed for the adjourned meeting, in which cases a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. At any adjourned meeting, all proxies will be voted in the same manner as they would have been voted at the original convening of the special meeting, except for any proxies that have been effectively revoked or withdrawn prior to the adjourned meeting.

All shares of Patterson-UTI common stock represented at the Patterson-UTI special meeting, including shares that are represented but that vote to abstain from voting on one or more proposals, will be treated as present for purposes of determining the presence of a quorum. Broker non-votes will not be treated as present for purposes of determining the presence of a quorum.

Required Vote

The required votes to approve the Patterson-UTI proposals are as follows:

The issuance of shares of Patterson-UTI common stock to SSE stockholders in connection with the merger requires the affirmative vote of a majority of the shares of Patterson-UTI common stock present in person or represented by proxy at the Patterson-UTI special meeting and entitled to vote on the proposal, assuming a quorum is present. Each share of Patterson-UTI common stock outstanding on the record date for the

Patterson-UTI special meeting is entitled to one vote on this proposal. Assuming a quorum is present, shares that are not present in person or by proxy and broker non-votes (if any) will have no effect on the vote for this proposal; however, abstentions will have the same effect as a vote AGAINST the approval of such proposal.

Table of Contents

The adjournment of the Patterson-UTI special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of a majority of the shares of Patterson-UTI common stock, present in person or represented by proxy at the Patterson-UTI special meeting and entitled to vote on the proposal, regardless of whether there is a quorum. Each share of Patterson-UTI common stock outstanding on the record date for the Patterson-UTI special meeting is entitled to one vote on this proposal. Assuming a quorum is present, shares that are not present in person or by proxy and broker non-votes (if any) will have no effect on the vote for this proposal; however, abstentions will have the same effect as a vote AGAINST the approval of such proposal.

Voting of Proxies by Holders of Record

If you were a record holder of Patterson-UTI common stock at the close of business on the record date for the Patterson-UTI special meeting, a proxy card is enclosed for your use. Patterson-UTI requests that you vote your shares as promptly as possible by (i) accessing the internet site listed on the Patterson-UTI proxy card, (ii) calling the toll-free number listed on the Patterson-UTI proxy card or (iii) submitting your Patterson-UTI proxy card by mail by using the provided self-addressed, stamped envelope. Information and applicable deadlines for voting through the internet or by telephone are set forth on the enclosed proxy card. When the accompanying proxy is returned properly executed, the shares of Patterson-UTI common stock represented by it will be voted at the Patterson-UTI special meeting in accordance with the instructions contained in the proxy card. Your internet or telephone vote authorizes the named proxies to vote your shares in the same manner as if you had marked, signed and returned a proxy card.

If a proxy is returned without an indication as to how the shares of Patterson-UTI common stock represented are to be voted with regard to a particular proposal, the Patterson-UTI common stock represented by the proxy will be voted in accordance with the recommendation of the Patterson-UTI board of directors and, therefore, FOR the proposal to approve the issuance of shares of Patterson-UTI common stock to SSE stockholders in connection with the merger and FOR the proposal to adjourn the Patterson-UTI special meeting, if necessary or appropriate, to permit further solicitation of proxies.

At the date hereof, the Patterson-UTI board of directors has no knowledge of any business that will be presented for consideration at the Patterson-UTI special meeting and that would be required to be set forth in this joint proxy statement/prospectus or the related proxy card other than the matters set forth in Patterson-UTI s Notice of Special Meeting of Stockholders. If any other matter is properly presented at the Patterson-UTI special meeting for consideration, it is intended that the persons named in the enclosed form of proxy and acting thereunder will vote in accordance with their best judgment on such matter.

Your vote is important. Accordingly, if you were a record holder of Patterson-UTI common stock on the record date for the Patterson-UTI special meeting, please sign and return the enclosed proxy card or vote via the internet or telephone regardless of whether you plan to attend the Patterson-UTI special meeting in person. Proxies submitted through the specified internet website or by phone must be received by , eastern time, on , 2017 to ensure that the proxies are voted.

Shares Held in Street Name

If you hold shares of Patterson-UTI common stock through a broker, bank or other nominee, you are considered the beneficial holder of the shares held for you in what is known as street name. The record holder of such shares is your broker, bank or other nominee, and not you, and you must provide the record holder of your shares with instructions on how to vote your shares. Please follow the voting instructions provided by your broker, bank or other nominee. Please note that you may not vote shares held in street name by returning a proxy card directly to Patterson-UTI or by voting in person at the Patterson-UTI special meeting unless you have a legal proxy, which you must obtain from your broker, bank or other nominee. Furthermore, brokers, banks or other nominees who hold shares of Patterson-UTI common stock on behalf of their customers may not give a proxy to Patterson-UTI to vote those shares without specific instructions from their customers.

Table of Contents

If you are a Patterson-UTI stockholder and you do not instruct your broker, bank or other nominee on how to vote your shares, your broker, bank or other nominee may not vote your shares on any of the Patterson-UTI proposals.

Voting in Person

If you plan to attend the Patterson-UTI special meeting and wish to vote in person, you will be given a ballot at the special meeting. If you are a registered stockholder, please be prepared to provide proper identification, such as a driver s license, at the Patterson-UTI special meeting. If your shares are held in street name, you must bring to the special meeting a proxy executed in your favor from the record holder (your broker, bank or other nominee) of the shares authorizing you to vote at the special meeting.

Revocation of Proxies

If you are the record holder of Patterson-UTI common stock, you can change your vote or revoke your proxy at any time before your proxy is voted at the special meeting. You can do this by:

- Giving written notice to Patterson-UTI s corporate secretary;
- Delivering a valid, later-dated proxy or a later-dated vote by telephone or on the internet in a timely manner; or
- Voting by ballot at the special meeting.

A registered stockholder may revoke a proxy by any of these methods, regardless of the method used to deliver the stockholder s previous proxy. Written notices of revocation and other communications with respect to the revocation of proxies should be addressed as follows:

Patterson-UTI Energy, Inc.

10713 West Sam Houston Parkway North, Suite 800

Houston, Texas 77064

(281) 765-7100

Attention: Corporate Secretary

If your shares are held in street name through a broker, bank or other nominee and deliver voting instructions to the record holder of those shares, you may only revoke the voting of those shares in accordance with your instruction if the record holder revokes the original proxy as directed above and either resubmits a proxy reflecting your voting instructions or delivers to you a legal proxy giving you the right to vote the shares.

Solicitation of Proxies

Patterson-UTI is soliciting proxies for the Patterson-UTI special meeting from its stockholders. In accordance with the merger agreement, Patterson-UTI will pay its own cost of soliciting proxies from its stockholders, including the cost of mailing this joint proxy statement/prospectus. In addition to solicitation of proxies by mail, proxies may be solicited by Patterson-UTI s officers, directors and regular employees, without additional remuneration, by personal interview, telephone or other means of communication.

Patterson-UTI will make arrangements with brokerage houses, custodians, nominees and fiduciaries to forward proxy solicitation materials to beneficial owners of Patterson-UTI common stock. Patterson-UTI may reimburse these brokerage houses, custodians, nominees and fiduciaries for their reasonable expenses incurred in forwarding the proxy materials.

To help ensure the presence in person or by proxy of the holders of the largest number of shares of Patterson-UTI common stock possible, Patterson-UTI has engaged Georgeson LLC (Georgeson), a proxy solicitation firm, to solicit proxies on Patterson-UTI s behalf. Patterson-UTI has agreed to pay Georgeson a proxy solicitation fee not to exceed $10,000. Patterson-UTI will also reimburse Georgeson for its reasonable out-of-pocket costs and expenses.

Table of Contents

Adjournments

The Patterson-UTI special meeting may be adjourned from time to time by the by the affirmative vote of a majority of the shares of Patterson-UTI common stock, present in person or by proxy at the Patterson-UTI special meeting and entitled to vote thereon, regardless of whether there is a quorum, without further notice other than by an announcement made at the special meeting. If a quorum is not present at the special meeting, or if a quorum is present at the special meeting but there are not sufficient votes at the time of the special meeting to approve the proposal to issue shares of Patterson-UTI common stock in connection with the merger, then Patterson-UTI stockholders may be asked to vote on a proposal to adjourn the Patterson-UTI special meeting in order to permit the further solicitation of proxies.

Table of Contents

THE SSE SPECIAL MEETING

This joint proxy statement/prospectus is being provided to the SSE stockholders as part of a solicitation of proxies by the SSE board of directors for use at the SSE special meeting to be held at the time and place specified below and at any properly convened meeting following an adjournment or postponement thereof. This joint proxy statement/prospectus provides SSE stockholders with information they need to know to be able to vote or instruct their vote to be cast at the SSE special meeting.

Date, Time and Place

The special meeting of SSE stockholders will be held at SSE s executive offices at 777 N.W. 63rd Street, Oklahoma City, Oklahoma 73116, on , 2017, at , local time.

Purpose of the SSE Special Meeting

At the SSE special meeting, SSE stockholders will be asked to consider and vote on the following:

- a proposal to adopt the merger agreement;
- a proposal to approve, on an advisory (non-binding) basis the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger; and
- a proposal to approve the adjournment of the SSE special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the first proposal listed above.

Completion of the merger is conditioned on the approval and adoption of the merger agreement and the transactions contemplated by the merger agreement, including the merger, by the SSE stockholders, which requires the affirmative vote of a majority of the outstanding shares of SSE common stock entitled to vote thereon. The proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger is a vote separate and apart from the vote on the proposal to adopt the merger agreement. Accordingly, a SSE stockholder may vote to approve one proposal and not the other. Because the vote on the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger is advisory in nature only, it will not be binding on SSE or Patterson-UTI, and the approval of that proposal is not a condition to the completion of the merger.

Recommendation of the SSE Board of Directors

At a special meeting held on December 12, 2016, the SSE board of directors unanimously approved the merger agreement, the merger and the other transactions contemplated by the merger agreement, and declared the merger agreement, the merger and the other transactions contemplated by the merger agreement to be advisable and fair to and in the best interests of SSE stockholders. **Accordingly, the SSE board of directors unanimously recommends that SSE stockholders vote FOR the proposal to adopt the merger agreement, FOR the approval, on an advisory (non-binding) basis, of the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger and FOR the proposal to approve the adjournment of the SSE**

special meeting, if necessary or appropriate, to permit further solicitation of proxies.

SSE stockholders should read carefully this joint proxy statement/prospectus including any documents incorporated by reference and the Annexes in their entirety for more detailed information concerning the merger and the transactions contemplated by the merger agreement.

Table of Contents

SSE Record Date; Stockholders Entitled to Vote

The record date for the SSE special meeting is , 2017. Only record holders of shares of SSE common stock at the close of business on such date are entitled to notice of, and to vote at, the SSE special meeting. At the close of business on the record date, the only outstanding voting securities of SSE were shares of common stock, and shares of SSE common stock were issued and outstanding and entitled to vote at the SSE special meeting. A list of the SSE stockholders of record who are entitled to vote at the SSE special meeting will be available for inspection by any SSE stockholder for any purpose germane to the special meeting during ordinary business hours for the ten days preceding the SSE special meeting at SSE s executive offices at 777 N.W. 63rd Street, Oklahoma City, Oklahoma 73116 and will also be available at the SSE special meeting for examination by any stockholder present at such meeting.

Each share of SSE common stock outstanding on the record date for the SSE special meeting is entitled to one vote on each proposal and any other matter coming before the SSE special meeting.

Voting by SSE s Directors and Executive Officers

At the close of business on the record date for the SSE special meeting, SSE directors and executive officers were entitled to vote shares of SSE common stock or approximately % of the shares of SSE common stock issued and outstanding and entitled to vote at the SSE special meeting. The SSE directors and executive officers are currently expected to vote their shares in favor of all SSE proposals.

In connection with the execution of the merger agreement, certain affiliates of Axar Capital Management, LLC, BlueMountain Capital Management, LLC and Mudrick Capital Management, L.P. have entered into voting and support agreements with Patterson-UTI, pursuant to which each such stockholder agreed to vote all of its shares of SSE common stock in favor of the adoption of the merger agreement and against, among other things, alternative transactions. As of the date of this joint proxy statement/prospectus, those stockholders hold and are entitled to vote in the aggregate approximately 59% of the issued and outstanding shares of SSE common stock entitled to vote at the SSE special meeting. In the event that SSE s board of directors changes its recommendation that SSE stockholders adopt the merger agreement, such stockholders, taken together, will be required to vote shares that, in the aggregate, represent 39.99% of the issued and outstanding shares of SSE common stock on such proposal, with each such stockholder being able to vote the balance of its shares of SSE common stock on such proposal in such stockholder s sole discretion. See The Merger Agreement Voting and Support Agreements beginning on page 144 for more information.

At the close of business on the record date for the SSE special meeting, SSE directors and executive officers were entitled to vote shares of SSE common stock or approximately % of the shares of SSE common stock issued and outstanding and entitled to vote at the SSE special meeting. The SSE directors and executive officers are currently expected to vote their shares in favor of all SSE proposals.

Quorum

No business may be transacted at the SSE special meeting unless a quorum is present. Stockholders who hold shares representing at least a majority of the voting power of all outstanding shares of common stock entitled to vote at the SSE special meeting must be present in person or represented by proxy to constitute a quorum. If a quorum is not present or if fewer shares are voted in favor of the proposal to adopt the merger agreement, then the chairman of the meeting has the power to adjourn the meeting, or, alternatively, SSE stockholders may be asked to vote on a proposal to adjourn the SSE special meeting in order to permit the further solicitation of proxies. No notice of an adjourned meeting need be given unless the date, time and place of the resumption of the meeting are not announced at the adjourned meeting, the adjournment is for more than 30 days or, if after the adjournment, a new record date is fixed for the adjourned meeting, in which cases a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. At any adjourned

Table of Contents

meeting, all proxies will be voted in the same manner as they would have been voted at the original convening of the special meeting, except for any proxies that have been effectively revoked or withdrawn prior to the adjourned meeting.

All shares of SSE common stock represented at the SSE special meeting, including shares that are represented but that abstain from voting on one or more proposals, will be treated as present for purposes of determining the presence of a quorum. Broker non-votes will not be treated as present for purposes of determining the presence of a quorum.

Required Vote

The required votes to approve the SSE proposals are as follows:

- The approval and adoption of the merger agreement and the transactions contemplated by the merger agreement, including the merger, requires the affirmative vote of a majority of the outstanding shares of SSE common stock entitled to vote on this proposal. Each share of SSE common stock outstanding on the record date for the SSE special meeting is entitled to one vote on this proposal. Failures to vote, broker non-votes (if any) and abstentions will have the same effect as a vote AGAINST the approval of such proposal.

- The approval, on an advisory (non-binding) basis, of the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger requires the affirmative vote of a majority of the voting power of the outstanding shares present in person or represented by proxy at the meeting and entitled to vote on this proposal, assuming a quorum is present. Each share of SSE common stock outstanding on the record date for the SSE special meeting is entitled to one vote on this proposal. Assuming a quorum is present, shares that are not present in person or by proxy and broker non-votes (if any) will have no effect on the vote for this proposal; however, abstentions will have the same effect as a vote AGAINST the approval of such proposal.

- The approval of the adjournment of the SSE special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of a majority of the voting power of the outstanding shares present in person or represented by proxy at the meeting and entitled to vote on this proposal, regardless of whether there is a quorum. Each share of SSE common stock outstanding on the record date for the SSE special meeting is entitled to one vote on this proposal. Assuming a quorum is present, shares that are not present in person or by proxy and broker non-votes (if any) will have no effect on the vote for this proposal; however, abstentions will have the same effect as a vote AGAINST the approval of such proposal.

Voting of Proxies by Holders of Record

If you were a record holder of SSE common stock at the close of business on the record date for the SSE special meeting, a proxy card is enclosed for your use. SSE requests that you vote your shares as promptly as possible by (i) accessing the internet site listed on the SSE proxy card, (ii) calling the toll-free number listed on the SSE proxy card or (iii) submitting your SSE proxy card by mail by using the provided self-addressed, stamped envelope. Information and applicable deadlines for voting through the internet or by telephone are set forth on the enclosed proxy card. When the accompanying proxy is returned properly executed, the shares of SSE common stock represented by it will be voted at the SSE special meeting in accordance with the instructions contained in the proxy card. Your internet or telephone vote authorizes the named proxies to vote your shares in the same manner as if you had marked, signed and returned a proxy card.

If a proxy is returned without an indication as to how the shares of SSE common stock represented are to be voted with regard to a particular proposal, the SSE common stock represented by the proxy will be voted in accordance with the recommendation of the SSE board of directors and, therefore, FOR the proposal to adopt the merger agreement, FOR the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger and FOR the proposal to adjourn the SSE special meeting, if necessary or appropriate, to permit further solicitation of proxies.

At the date hereof, the SSE board of directors has no knowledge of any business that will be presented for consideration at the SSE special meeting and that would be required to be set forth in this joint proxy statement/prospectus or the related proxy card other than the matters set forth in SSE s Notice of Special Meeting of Stockholders. If any other matter is properly presented at the SSE special meeting for consideration, it is intended that the persons named in the enclosed form of proxy and acting thereunder will vote in accordance with their best judgment on such matter.

Your vote is important. Accordingly, if you were a record holder of SSE common stock on the record date for the SSE special meeting, please sign and return the enclosed proxy card or vote via the internet or telephone regardless of whether you plan to attend the SSE special meeting in person. Proxies submitted through the specified internet website or by phone must be received by , eastern time, on , 2017 to ensure that your vote is counted.

Shares Held in Street Name

If you hold shares of SSE common stock through a broker, bank or other nominee, you are considered the beneficial holder of the shares held for you in what is known as street name. The record holder of such shares is your broker, bank or other nominee, and not you, and you must provide the record holder of your shares with instructions on how to vote your shares. Please follow the voting instructions provided by your broker, bank or other nominee. Please note that you may not vote shares held in street name by returning a proxy card directly to SSE or by voting in person at the SSE special meeting unless you have a legal proxy, which you must obtain from your broker, bank or other nominee. Furthermore, brokers, banks or other nominees who hold shares of SSE common stock on behalf of their customers may not give a proxy to SSE to vote those shares without specific instructions from their customers.

If you are a SSE stockholder and you do not instruct your broker, bank or other nominee on how to vote your shares, your broker, bank or other nominee may not vote your shares on any of the SSE proposals.

Voting in Person

If you plan to attend the SSE special meeting and wish to vote in person, you will be given a ballot at the special meeting. If you are a registered stockholder, please be prepared to provide proper identification, such as a driver s license, at the SSE special meeting. If your shares are held in street name, you must bring to the special meeting a proxy executed in your favor from the record holder (your broker, bank or other nominee) of the shares authorizing you to vote at the special meeting.

Revocation of Proxies

If you are the record holder of SSE common stock, you can change your vote or revoke your proxy at any time before your proxy is voted at the special meeting. You can do this by:

- timely delivering a signed written notice of revocation;

timely delivering a new, valid proxy bearing a later date (including by mail, telephone or through the internet); or

attending the SSE special meeting and voting in person, which will automatically cancel any proxy previously given, or revoking your proxy in person. Simply attending the SSE special meeting without voting will not revoke any proxy that you have previously given or change your vote.

Table of Contents

A registered stockholder may revoke a proxy by any of these methods, regardless of the method used to deliver the stockholder s previous proxy. Written notices of revocation and other communications with respect to the revocation of proxies should be addressed as follows:

Seventy Seven Energy Inc.

777 N.W. 63rd Street

Oklahoma City, Oklahoma 73116

(405) 608-7777

Attention: Corporate Secretary

If your shares are held in street name through a broker, bank or other nominee, you may change your vote by submitting new voting instructions to your broker, bank or nominee in accordance with its established procedures. If your shares are held in the name of a broker, bank or other nominee and you decide to change your vote by attending the special meeting and voting in person, your vote in person at the special meeting will not be effective unless you have obtained and present an executed proxy issued in your name from the record holder (your broker, bank or nominee).

Solicitation of Proxies

SSE is soliciting proxies for the SSE special meeting from its stockholders. In accordance with the merger agreement, SSE will pay its own cost of soliciting proxies from its stockholders, including the cost of mailing this joint proxy statement/prospectus. In addition to solicitation of proxies by mail, proxies may be solicited by SSE s officers, directors and regular employees, without additional remuneration, by personal interview, telephone or other means of communication.

SSE will make arrangements with brokerage houses, custodians, nominees and fiduciaries to forward proxy solicitation materials to beneficial owners of SSE common stock. SSE may reimburse these brokerage houses, custodians, nominees and fiduciaries for their reasonable expenses incurred in forwarding the proxy materials.

Adjournments

The SSE special meeting may be adjourned from time to time by the chairman of the SSE special meeting or by the affirmative vote of a majority of the voting power of the outstanding shares of SSE common stock so represented, regardless of whether there is a quorum. Notice does not need to be given of any such adjourned meeting if the time and place of the adjourned meeting are announced at the meeting at which the adjournment is taken. However, if the adjournment is for more than 30 days, a notice of the adjourned meeting must be given to each SSE stockholder of record entitled to vote at the meeting. At the adjourned meeting, SSE may transact any business that might have been transacted at the original meeting. If a quorum is not present at the SSE special meeting or if a quorum is present at the special meeting but there are not sufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement then SSE stockholders may be asked to vote on a proposal to adjourn the SSE special meeting in order to permit the further solicitation of proxies.

Table of Contents

THE MERGER

Effects of the Merger

At the effective time, Merger Sub, a wholly owned subsidiary of Patterson-UTI that was formed for the sole purpose of effecting the merger, will merge with and into SSE. SSE will survive the merger and become a wholly owned subsidiary of Patterson-UTI.

In the merger, each share of SSE common stock outstanding immediately prior to the effective time, other than shares owned by SSE and its wholly owned subsidiaries, shares owned by Patterson-UTI or Merger Sub and shares for which appraisal rights held by SSE stockholders have been perfected, will be converted at the effective time into the right to receive a number of shares of Patterson-UTI common stock equal to the exchange ratio, with cash (without interest) paid in lieu of fractional shares. This exchange ratio will not be adjusted to reflect stock price changes prior to the closing of the merger. Patterson-UTI stockholders will continue to hold their existing shares of Patterson-UTI common stock.

Background of the Merger

The management and board of directors of both SSE and Patterson-UTI regularly review the performance, strategy, competitive position, opportunities and prospects of their respective companies, in light of the current business and economic environments and developments in the oil and natural gas industry. These reviews have included consideration of potential strategic alternatives, including pursuing potential strategic combinations and, in the case of SSE, a public offering and re-listing of SSE common stock on a major stock exchange.

Patterson-UTI and its predecessor companies were major consolidators of land rigs, acquiring more than approximately 390 rigs in rig purchase transactions from 1995 through 2006. In 2006, Patterson-UTI effectively stopped acquiring rigs based on its determination that there were few, if any, rig fleets that were as technically advanced as the APEX® rigs that Patterson-UTI was designing and building.

From 2006 through 2016, Patterson-UTI has focused on growing its two core businesses, Contract Drilling and Pressure Pumping. In Contract Drilling, since 2006, Patterson-UTI has built 161 APEX® rigs, which are a type of high-spec rigs that are in demand in the United States onshore drilling market, as they allow Patterson-UTI customers efficiently to drill wells with long, horizontal laterals, and to drill multiple wells from one pad location.

In Pressure Pumping, Patterson-UTI has grown its fleet significantly over the past ten years, from a fleet of 43,000 fracturing horsepower at year-end 2006 to more than one million fracturing horsepower at year-end 2016. Patterson-UTI has grown its Pressure Pumping fleet based on the fundamental shift to unconventional resource plays, such as shale formations, which require increased pressure pumping horsepower and increased overall frac intensity. Patterson-UTI has grown its pressure pumping fleet through strategic acquisitions and through the construction of new equipment. Since 2010, Patterson-UTI has acquired pressure pumping assets totaling more than 350,000 fracturing horsepower. In addition to the increased horsepower, these acquisitions expanded Patterson-UTI s geographic footprint beyond its traditional focus in the northeast United States. Coincident with the acquisitions, Patterson-UTI has also organically grown its pressure pumping fleet through the construction of nearly 700,000 new fracturing horsepower.

In addition to profitable growth in the number of high-spec rigs and pressure pumping horsepower, Patterson-UTI has built an organization dedicated to constant improvement in the quality of service provided to its customers in both businesses. This operational focus has led to significant improvements in safety and field operations. Patterson-UTI believes that it is now ranked among the leaders in both businesses in all significant operational and safety metrics.

Table of Contents

In October 2013, Patterson-UTI became aware that Chesapeake Energy Corporation (CHK) planned to spin-off its oilfield service business, including its fleet of drilling rigs, pressure pumping assets, rentals business and trucking assets. Prior to the spin-off, Patterson-UTI met with CHK to discuss a potential transaction in which Patterson-UTI would acquire from CHK these drilling rigs and pressure pumping assets. Patterson-UTI believed that the new rigs CHK was building were among the better designed and built new high-spec rigs in the land rig industry, and that the acquisition of this rig fleet would enable Patterson-UTI to better compete with competitors that had started building new high-spec rigs earlier than Patterson-UTI.

Additionally, the sizeable pressure pumping fleet would allow Patterson-UTI to achieve greater scale in a business in which scale provides efficiency. As these assets were built for a major exploration and production operator and were relatively new, Patterson-UTI had confidence in the quality of the assets. CHK also had invested significantly to build yards, maintenance and related facilities. In addition, both the drilling and pressure pumping operations had a reputation for providing excellent customer service and doing so in a safe and efficient manner. Perhaps most significantly, Patterson-UTI believed that there were no other businesses in the industry that were as complementary to Patterson-UTI. As such, Patterson-UTI believed that acquiring these assets would substantially enhance both of its core businesses.

In late 2013, Patterson-UTI conducted due diligence, including meeting with management of CHK s drilling business and physically inspecting multiple drilling rigs. However, following an offer by Patterson-UTI to purchase the drilling and pressure pumping businesses, CHK elected to spin off these businesses, together with the remainder of its oilfield services business, through a distribution of shares of SSE common stock to existing stockholders of CHK. The spin-off occurred on June 30, 2014, and the new company was named Seventy Seven Energy Inc.

As a publicly traded company, SSE s enterprise value reached a high of $2.8 billion in late summer 2014. Ultimately, due to the high level of debt that SSE assumed as part of its separation from CHK and the downturn in oilfield services activity as a result of the severe drop in the price of oil beginning in the fall of 2014, on June 7, 2016, SSE and its subsidiaries filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the Bankruptcy Court).

On June 27, 2016, Andy Hendricks, Patterson-UTI s Chief Executive Officer, and Mark Siegel, Patterson-UTI s Executive Chairman, met with representatives of Piper Jaffray, through its Simmons & Company International division, about several business matters. As part of this meeting, Messrs. Hendricks and Siegel asked Piper Jaffray to review whether SSE, following emergence from bankruptcy, would be an attractive merger candidate.

Patterson-UTI believed that the same strategic rationale that was strong in 2013 was stronger in 2016. SSE added additional new rigs to its fleet and additional pressure pumping horsepower since its spin-off from CHK in June 2014. Moreover, SSE continued to be an effective service provider both in drilling and pressure pumping despite operating in Chapter 11. Patterson-UTI believed that the acquisition of SSE could add roughly 25% to its fleet of high-spec rigs, and 50% to its pressure pumping horsepower. After completing its review, Piper Jaffray reported to Patterson-UTI management that SSE appeared to be an attractive acquisition candidate and suggested that Piper Jaffray approach Jed DiPaolo, the Chairman of the SSE board of directors, following SSE s emergence from bankruptcy to inquire about SSE s possible interest in merging with Patterson-UTI.

On July 14, 2016, the Bankruptcy Court issued an order confirming the Joint Pre-packaged Plan of Reorganization (the Reorganization Plan) of SSE and its subsidiaries.

At the regularly scheduled meeting of the Patterson-UTI board of directors on July 27, 2016, Mr. Siegel informed the Patterson-UTI board of directors of the request to Piper Jaffray to study SSE, Piper Jaffray s recommendation and the planned approach to Mr. DiPaolo. The Patterson-UTI board of directors authorized management to execute on the plan. During the subsequent months, in addition to the board meetings described below, Mr. Siegel had frequent conversations with Curtis Huff, Patterson-UTI s Lead Director, to keep him apprised of the developments in the potential transaction with SSE. Additionally, Mr. Siegel regularly informed other Patterson-UTI directors about the status of the SSE discussions.

On August 1, 2016, the Reorganization Plan became effective pursuant to its terms and SSE and its subsidiaries emerged from their Chapter 11 cases.

On August 5, 2016, representatives of Piper Jaffray met with Mr. DiPaolo and informed him that Patterson-UTI, a client of Piper Jaffray, had expressed interest in acquiring SSE and inquired whether Mr. DiPaolo would be willing to meet with Mr. Hendricks and Mr. Siegel. While Mr. DiPaolo acknowledged that SSE would be a strategic fit for Patterson-UTI, he emphasized the quality of the SSE assets, the progress that SSE had made operationally and the speed with which it had emerged from the Chapter 11 proceedings. Mr. DiPaolo stated that he would discuss the matter with the SSE board of directors.

On August 9, 2016, the SSE board of directors held a special meeting to discuss Mr. DiPaolo s meeting with representatives of Piper Jaffray. After full discussion, the SSE board of directors directed Mr. DiPaolo to obtain more information regarding Patterson-UTI s interest in SSE. Following this meeting, Mr. DiPaolo contacted representatives of SSE s three largest stockholders Axar Capital Management, LLC (Axar), BlueMountain Capital Management, LLC (BlueMountain) and Mudrick Capital Management, L.P. (Mudrick and, together with BlueMountain and Axar, the Significant SSE Stockholders) which held and were entitled to vote in the aggregate approximately 61% of the outstanding shares of SSE common stock. Mr. DiPaolo discussed with the representatives of the Significant SSE Stockholders prices at which such stockholders would consider supporting a business combination transaction with Patterson-UTI.

On August 12, 2016, Mr. DiPaolo called a representative of Piper Jaffray to arrange for a meeting on August 19, 2016. During the August 19th meeting, representatives of Piper Jaffray inquired about SSE s interest in pursuing a potential merger with Patterson-UTI. Mr. DiPaolo responded that SSE intended to pursue a public offering and re-listing of SSE common stock on a major stock exchange and, if Patterson-UTI remained interested, discussions about a potential merger could be explored after the this process was complete.

Following that meeting, at Mr. Siegel s request, representatives of Piper Jaffray asked Mr. DiPaolo to arrange a meeting in early September between Patterson-UTI management and representatives of the Significant SSE Stockholders in New York to further discuss a potential strategic transaction between Patterson-UTI and SSE. Mr. DiPaolo agreed to do so on the understanding that such discussion would be focused on Patterson-UTI and the industrial logic of a merger between Patterson-UTI and SSE and his belief that Patterson-UTI would likely require that the Significant SSE Stockholders enter into voting and support agreements with respect to any business combination ultimately negotiated between Patterson-UTI and SSE.

On August 25, 2016, the SSE board of directors held a special meeting to discuss Mr. DiPaolo s meeting with representatives of Piper Jaffray, including Piper Jaffray s request that representatives of Patterson-UTI meet with representatives of the Significant SSE Stockholders. After full discussion, the SSE board of directors agreed to continue pursuing other strategic alternatives for SSE, including a public offering and re-listing of SSE common stock, and the SSE board of directors directed SSE s management to begin preliminary work in anticipation of such an offering. Representatives of the Significant SSE Stockholders indicated that they would be willing to meet with Patterson-UTI.

On September 6, 2016, Messrs. Hendricks and Siegel met in the New York offices of BlueMountain with representatives of the Significant SSE Stockholders. During this meeting and in the subsequent meetings and conversations between representatives of Patterson-UTI and representatives of the Significant SSE Stockholders, each representative of the Significant SSE Stockholders acted solely in his capacity as representative of a Significant SSE Stockholder. At the meeting, Messrs. Hendricks and Siegel provided the representatives of the Significant SSE Stockholders with background information regarding Patterson-UTI and its management, background on Patterson-UTI s attempt to acquire these assets previously from CHK and the industrial logic of a merger between SSE and Patterson-UTI. Representatives of the Significant SSE Stockholders inquired as to how

Patterson-UTI proposed to determine the value of SSE. Messrs. Hendricks and Siegel discussed their thoughts on valuation methodology, but they did not provide specific valuation amounts as the purpose of the meeting had been to discuss Patterson-UTI and the industrial logic of a merger between Patterson-UTI and SSE.

Following this meeting, Omar Vaishnavi, a representative of BlueMountain, discussed with Mr. DiPaolo that it may be helpful if Mr. Vaishnavi discussed the proposed terms of any potential transaction directly with Mr. Siegel, given that Patterson-UTI would require that the Significant SSE Stockholders enter into voting and support agreements with respect to any business combination ultimately negotiated between Patterson-UTI and SSE. Mr. Vaishnavi noted that he could act as a liaison between Patterson-UTI and the Significant SSE Stockholders, and he would keep the SSE board of directors informed and involved, noting that any potential transaction would ultimately have to be approved by the SSE board of directors. Mr. DiPaolo agreed that this course of action would be helpful.

The next day, Mr. Vaishnavi contacted Mr. Siegel and suggested that the Significant SSE Stockholders explore further discussions with Patterson-UTI directly.

Following internal discussions among Patterson-UTI s management, Piper Jaffray and Mr. Huff, Mr. Siegel called Mr. Vaishnavi to better understand how such a negotiation would be handled. Mr. Vaishnavi advised that he could act as a liaison between Patterson-UTI and the Significant SSE Stockholders, and he would keep the SSE board of directors informed and involved. Mr. Vaishnavi requested that Patterson-UTI make a proposal to the Significant SSE Stockholders and indicated that the proposed public offering and re-listing of SSE common stock remained their preferred course of action.

During the subsequent two weeks, Patterson-UTI management worked with Piper Jaffray to analyze SSE and develop a proposal. This analysis centered around a relative comparison of the drilling rigs of Patterson-UTI and SSE by class of rig, a relative comparison of the two companies pressure pumping assets and a relative comparison of the other assets of the companies. During this period, Patterson-UTI and Piper Jaffray prepared a presentation containing a proposal for Patterson-UTI to acquire SSE in an all-stock transaction pursuant to which SSE stockholders would own approximately 15% of the equity of the combined company, and which would assume no benefit for potential warrant proceeds since the SSE Series A warrants were out of the money at such a valuation level. The presentation explained Patterson-UTI s methodology and valuation in making the proposal.

On September 27, 2016, Messrs. Hendricks and Siegel met in the New York offices of BlueMountain with representatives of the Significant SSE Stockholders to discuss the terms on which the Significant SSE Stockholders would be willing to support a potential business combination. During this meeting, Patterson-UTI presented and discussed its proposal to acquire SSE in an all-stock transaction. The Significant SSE Stockholders understood the methodology employed by Patterson-UTI in developing its proposal, but noted that the classification and number of SSE drilling rigs used by Patterson-UTI was not correct in their view and disagreed with Patterson-UTI s valuation of the pressure pumping assets (which they characterized as a distressed valuation). The Significant SSE Stockholders also objected to a discount Patterson-UTI had proposed in light of SSE s CHK customer concentration. The Significant SSE Stockholders agreed to make a counterproposal shortly.

On October 4, 2016, the Significant SSE Stockholders sent Patterson-UTI a presentation that had been jointly prepared by the Significant SSE Stockholders. The presentation provided that (i) certain of the SSE rigs should be classified in a higher tier of rig than as proposed by Patterson-UTI, (ii) SSE s pressure pumping assets should be valued significantly higher than as proposed by Patterson-UTI, based on the public valuations of Patterson-UTI and other non-distressed pressure pumping companies, and (iii) the consideration should include a 10% premium on account of the change of control of SSE (in lieu of the discount that Patterson-UTI had proposed for SSE s customer concentration). The counterproposal called for SSE stockholders and Series A warrant holders to own 32% of the equity of the combined company. Under this counterproposal, SSE Series A warrants would now be in the money and were assumed would be exercised on a full physical settlement basis, generating approximately $92.5 million of warrant proceeds.

On October 5, 2016, Mr. Hendricks requested that Mike Holcomb, Patterson-UTI s President of Drilling, conduct an independent, top-to-bottom evaluation of the rigs of SSE as compared to Patterson-UTI s rigs. Additionally, other work was initiated to determine the amount of Patterson-UTI s trading price that was attributable to its pressure pumping assets.

On October 6, 2016, Mr. Siegel and Mr. Vaishnavi spoke by telephone, with Mr. Siegel expressing disappointment with the counterproposal, which seemed to Patterson-UTI to be out of line with the relative values of the two companies. Mr. Siegel and Mr. Vaishnavi discussed the areas of disagreement with their respective analyses, in particular the tiering of certain of SSE s rigs and the valuation of the pressure pumping assets.

Following the October 6, 2016, discussion between Mr. Siegel and Mr. Vaishnavi, Mr. Holcomb completed and shared his analysis of the value of the SSE rig fleet and Patterson-UTI rig fleet with Messrs. Hendricks and Siegel. Mr. Holcomb ascribed a higher value to the SSE rig fleet than had been previously determined by Patterson-UTI management and Piper Jaffray.

After internal consideration by Patterson-UTI s management of Mr. Holcomb s analysis, the rig valuation that he prepared was shared with Piper Jaffray. Patterson-UTI s management and Piper Jaffray engaged in further analysis to determine an appropriate valuation for SSE. Further discussions were also held among Patterson-UTI management and Mr. Huff.

On October 14, 2016, Patterson-UTI management, Piper Jaffray and Mr. Huff developed a counterproposal to the Significant SSE Stockholders. Later that day, Mr. Siegel telephoned Mr. Vaishnavi to continue their discussions, including a lengthy discussion about the relative quality of the two companies rig fleets, the value of the two companies pressure pumping assets, the value of other assets held by both companies, the reputation of Patterson-UTI in the marketplace, and the feasibility of a successful SSE initial public offering.

After this discussion, Mr. Siegel informed Mr. Vaishnavi that Patterson-UTI would be willing to agree that the SSE stockholders would receive in the merger 40.140 million shares of Patterson-UTI common stock, which would equate to approximately 21.4% of the equity of the combined company. Additionally, Patterson-UTI would pay an additional 3.765 million shares of Patterson-UTI common stock in connection with the SSE Series A warrants that would now be in the money and which were assumed would be exercised on a full physical settlement basis, generating approximately $92.5 million of warrant proceeds. In total, the proposal provided 43.905 million shares of Patterson-UTI common stock for current shareholders and Series A warrant holders of SSE, or approximately 22.9% of the equity of the combined company (which, based on the October 13, 2016 closing Patterson-UTI share price of $24.56, equated to a value for the SSE equity and warrants of approximately $1.078 billion), with the assumption that the in-the-money warrants would be exercised on a full physical basis with applicable warrant proceeds. Mr. Vaishnavi thanked Mr. Siegel for the proposal and promised to discuss it with the other Significant SSE Stockholders and with SSE.

During the next few days, the Significant SSE Stockholders discussed the terms on which each such stockholder would be willing to support a business combination transaction between SSE and Patterson-UTI, and representatives of Mudrick and Axar conveyed to Mr. Vaishnavi that such stockholders would be willing to support a transaction in which SSE stockholders would receive 25% of the equity in the combined company.

On October 16, 2016, Mr. Vaishnavi informed Mr. Siegel that the Significant SSE Stockholders (i) would be willing to support a merger in which the stockholders of SSE would receive 25% of the equity in the combined company, (ii) would be willing to agree to a reasonable lock-up with respect to the shares of Patterson-UTI common stock that such Significant SSE Stockholders would receive in the merger, as previously proposed by Patterson-UTI, (iii) would like some level of board representation and (iv) wanted to be consulted with respect to Patterson-UTI s plans in terms of refinancing SSE s debt. Mr. Siegel thanked Mr. Vaishnavi for the constructive proposal and said that he would need to speak with the Patterson-UTI team. Mr. Siegel immediately informed Mr. Hendricks of the offer from Vaishnavi, and they discussed the appropriate next steps.

The next morning, Patterson-UTI s management team met by telephone conference with Piper Jaffray and with Vinson & Elkins LLP (Vinson & Elkins), Patterson-UTI s transaction counsel, to discuss a response to Mr. Vaishnavi. Following this conference call, Mr. Siegel telephoned Mr. Vaishnavi and advised him that, although Patterson-UTI was more comfortable with providing SSE stockholders with a 23 24% equity stake in the combined company, he believed that Patterson-UTI s board of directors would agree to something approaching 25% on the following conditions: (i) the number of shares of Patterson-UTI common stock to be issued to SSE stockholders and warrant holders would be fixed, (ii) the valuation assumed that an additional $92.5 million in cash would be received by SSE as proceeds from the cash exercise of Series A warrants and would remain on the balance sheet, (iii) SSE would not make any dividend or other distribution prior to closing, (iv) satisfactory completion of due diligence, (v) any transaction remained subject to approval by the Patterson-UTI board of directors and (vi) a period of exclusivity to finalize due diligence and definitive documentation. Mr. Vaishnavi indicated that, subject to the approval of the SSE board of directors, each of the above conditions was satisfactory to the Significant SSE Stockholders. Mr. Siegel also agreed to take the proposal to the Patterson-UTI board of directors.

Over the next couple of days, representatives of Axar and BlueMountain contacted Jerry Winchester, SSE s Chief Executive Officer, and Cary Baetz, SSE s Chief Financial Officer, and representatives of BlueMountain contacted Mr. DiPaolo, to provide an update on the Significant SSE Stockholders discussions with Patterson-UTI. Among other things, the representatives of Axar and BlueMountain described the terms of Patterson-UTI s revised offer, noting that it represented a significant increase in consideration over Patterson-UTI s initial offer, and stated that the Significant SSE Stockholders were willing to support a business combination transaction between SSE and Patterson-UTI on the revised terms. SSE s management and Mr. DiPaolo agreed that the SSE board of directors would meet to discuss Patterson-UTI s offer once SSE received a formal proposal.

The Patterson-UTI board of directors met on October 19, 2016 to update the board on the discussions with the Significant SSE Stockholders. Prior to the meeting, the Patterson-UTI directors received copies of presentation materials that had been presented to the Significant SSE Stockholders at the September 27, 2016 meeting, the Significant SSE Stockholder response presentation of October 4, 2016, and two updated presentations by Piper Jaffray, one dated October 14, 2016 and one dated October 17, 2016.

At the October 19, 2016 Patterson-UTI board of directors meeting, Piper Jaffray made a presentation to the Patterson-UTI board of directors regarding the assets and prospects for SSE, the strategic rationale for the transaction, relative valuation and advised the Patterson-UTI board of directors that a transaction in which the SSE stockholders and Series A warrant holders received 25% of the equity of the combined company was a reasonable offer. Following discussion, the Patterson-UTI board of directors voted unanimously to authorize Mr. Siegel to contact Mr. Vaishnavi and inform him that, subject to the conditions previously outlined, the Patterson-UTI board of directors was prepared to move forward on the basic terms Mr. Siegel and Mr. Vaishnavi had discussed. In addition, the Patterson-UTI board of directors discussed the appropriate documentation for this stage of the transaction and authorized Patterson-UTI management to execute and deliver to the SSE board of directors a non-binding offer letter and to negotiate with SSE and the Significant SSE Stockholders a mutual non-disclosure agreement that would include a period of exclusivity to negotiate a merger agreement and voting and support agreements with the Significant SSE Stockholders, and to conduct due diligence.

On October 20, 2016, Mr. Siegel sent to Mr. DiPaolo an offer letter and a proposed mutual non-disclosure agreement, and requested that Mr. DiPaolo distribute these documents to the SSE board of directors. The offer letter proposed a stock-for-stock transaction that would result in the total issuance of 48,647,907 shares of Patterson-UTI common stock (subject to certain downward adjustments), which the offer letter stated equated to a 25% ownership position of the combined company based on Patterson-UTI s fully diluted share count as set forth in its Form 10-Q for the quarter ended June 30, 2016 (which, based on the October 19, 2016 closing Patterson-UTI share price of $24.59, equated to a value for the SSE equity and warrants of approximately $1.20 billion). The offer letter also stated that Patterson-UTI s willingness to proceed on the terms proposed was conditioned on SSE s willingness to engage in exclusive discussions with Patterson-UTI during a 45-day

74

negotiating period. Following receipt of the offer letter, SSE provided a copy of letter to its special counsel, Wachtell, Lipton, Rosen & Katz (Wachtell Lipton) and to its financial advisor, Morgan Stanley & Co. LLC (Morgan Stanley).

On October 25, 2016, the SSE board of directors held a special meeting to discuss Patterson-UTI s proposal, including the potential benefits and risks to SSE stockholders. Representatives of SSE management, Morgan Stanley and Wachtell Lipton were also present. Wachtell Lipton discussed with the SSE board of directors the board s fiduciary obligations in context of the offer from Patterson-UTI. After extensive discussion, the SSE board of directors determined to authorize SSE s management to negotiate and enter into a mutual non-disclosure agreement, and to enter into exclusive negotiations with Patterson-UTI with respect to a definitive agreement pursuant to which SSE s stockholders and holders of restricted stock units would receive, in the aggregate, shares of Patterson-UTI representing 25% of the equity of the combined company, subject to further and final approval by the SSE board of directors if negotiations proved to be successful.

The mutual non-disclosure agreement was negotiated between Patterson-UTI and Vinson & Elkins and SSE and Wachtell Lipton, and was executed by SSE and Patterson-UTI on October 28, 2016. Similar non-disclosure agreements were executed between Patterson-UTI and each of the Significant SSE Stockholders. The mutual non-disclosure agreements provided for a 45-day exclusivity period during which the parties would not pursue certain alternative transactions and instead could: (i) negotiate a binding merger agreement and voting and support agreements between Patterson-UTI and the Significant SSE Stockholders and (ii) conduct mutual due diligence. The mutual non-disclosure agreements also provided that, during the exclusivity period, SSE would discontinue its efforts to file or confidentially submit a registration statement with respect to a public offering of SSE common stock.

Shortly after the signing of the mutual non-disclosure agreements, Patterson-UTI and SSE provided each other with their respective due diligence request lists. Both companies established electronic data rooms to facilitate the exchange of the requested information.

On October 26, 2016, Patterson-UTI held its regularly scheduled board of directors meeting to review results for the third quarter of 2016 and to consider additional business. At the meeting, management provided a full update respecting the status of the transaction, and Piper Jaffray presented additional detail regarding the history and operations of SSE.

On October 27, 2016, Patterson-UTI reported its results for the third quarter of 2016 and held its regularly scheduled earnings conference call with analysts.

On November 7, 2016, the SSE board of directors held a regularly scheduled board meeting. At the meeting, Morgan Stanley presented potential valuations of SSE, including in the context of a potential public offering of SSE common stock. The SSE board of directors discussed a public offering of SSE common stock as an alternative to a business combination transaction with Patterson-UTI and the potential benefits and disadvantages to pursuing a public offering, including the relative likelihood and timing of completing a public offering as opposed to completing a business combination transaction with Patterson-UTI. Following this discussion, the SSE board of directors directed SSE management to continue negotiations with Patterson-UTI as contemplated by the mutual non-disclosure agreement.

On November 8, 2016, Vinson & Elkins, on behalf of Patterson-UTI, distributed an initial draft of the proposed merger agreement to Wachtell Lipton, on behalf of SSE. Consistent with Patterson-UTI s offer letter, the draft agreement provided for aggregate merger consideration of 48,647,907 shares of Patterson-UTI common stock (subject to certain downward adjustments), which equated to a 25% ownership position of the combined company based on Patterson-UTI s fully diluted share count as set forth in its Form 10-Q for the quarter ended June 30, 2016.

On November 11, 2016, after discussing the terms of the draft merger agreement with SSE and representatives of the Significant SSE Stockholders, Wachtell Lipton conveyed telephonically SSE s response on several key issues, including with respect to the calculation of the merger consideration, which SSE believed should be equal to a 25% ownership position of the combined company based on Patterson-UTI s fully diluted share count as of the date of the merger agreement, as opposed to based on such share count set forth in its Form 10-Q for the quarter ended June 30, 2016. Accordingly, SSE believed that the maximum merger consideration should consist of a number of shares of Patterson-UTI common stock that was greater than the 48,647,907 shares proposed by Patterson-UTI.

As part of the due diligence review, on November 14, 2016, Mr. Siegel, Mr. Hendricks, John E. Vollmer III, Patterson-UTI s Senior Vice President-Corporate Development, Chief Financial Officer and Treasurer, Kenneth N. Berns, Patterson-UTI s Senior Vice President and director, and Seth D. Wexler, Patterson-UTI s General Counsel, met in Oklahoma City with the management of SSE. Messrs. Winchester, Baetz, Karl Blanchard, SSE s Chief Operating Officer, Jay Minmier, President of SSE s Contract Drilling business, Bill Stanger, President of SSE s Pressure Pumping business, Jerome Loughridge, President of SSE s Oilfield Rentals business, and David Treadwell, SSE s Senior Vice President and General Counsel were all present at the meeting. Also in attendance were representatives of Morgan Stanley and Piper Jaffray. Each of the SSE officers made presentations regarding SSE, its assets and its prospects and answered questions raised by Patterson-UTI management and Piper Jaffray.

That evening, Wachtell Lipton, on behalf of SSE, delivered a revised draft of the proposed merger agreement to Vinson & Elkins. Issues raised by Wachtell Lipton s revised draft of the proposed merger agreement included the calculation of the merger consideration and the maximum number of shares of Patterson-UTI common stock to be issued in the merger, the appointment by SSE of two directors to the Patterson-UTI board of directors, the respective scope of each party s interim covenants, the scope of SSE s non-solicitation covenant, the insertion of a non-solicitation covenant applicable to Patterson-UTI, the scope of the respective boards ability to change their recommendation to their respective stockholders in certain circumstances relating to a competing acquisition proposal or an intervening event, whether the transaction would be conditioned on each party not experiencing a material loss prior to closing, the amount of the termination fees and when such termination fees would be payable.

On November 18, 2016, Mr. Blanchard and Mr. Baetz of SSE, along with Mr. Vaishnavi and Noah Rosenthal of BlueMountain, Phil Barkhorn of Axar and Victor Danh and Kent Kim of Mudrick, met with Messrs. Hendricks, Siegel, Vollmer, Berns, Wexler and Holcomb at Vinson & Elkins office in Houston. Also in attendance were representatives of Morgan Stanley and Piper Jaffray. Mr. Hendricks made a detailed presentation regarding Patterson-UTI, and he and the other Patterson-UTI attendees answered various questions raised by SSE management, representatives of the Significant SSE Stockholders and Morgan Stanley.

That afternoon, Vinson & Elkins, on behalf of Patterson-UTI, delivered a further revised draft of the proposed merger agreement to Wachtell Lipton and an initial draft of the proposed voting and support agreements to Wachtell Lipton and each of the Significant SSE Stockholders. Issues raised by the Vinson & Elkins draft merger agreement included many of the same issues raised in Wachtell Lipton s initial revised draft of the proposed merger agreement and included a condition that the net debt of each party not exceed a certain threshold. Between November 18, 2016 and December 12, 2016, the parties exchanged multiple drafts of the proposed merger agreement and voting and support agreements and held multiple conference calls to gradually resolve the open issues.

On November 29, 2016, members of SSE s management team updated the SSE board of directors telephonically regarding discussions with Patterson-UTI.

On December 1, 2016, Patterson-UTI held an in-person meeting of its board of directors at its Houston office that was devoted exclusively to consideration of the transaction with SSE. Also in attendance were members of Patterson-UTI management, as well as representatives of Piper Jaffray and Vinson & Elkins.

Representatives of Piper Jaffray made a detailed presentation to the Patterson-UTI board of directors concerning the due diligence review of SSE to date and the financial analysis related to the proposed transaction. A representative of Vinson & Elkins then provided to the Patterson-UTI board of directors a review of fiduciary duties of directors under Delaware law in the context of consideration of the potential transaction with SSE, including the duties of loyalty and care, the applicability of the business judgment rule and the consideration of the information related to the transaction. The representative of Vinson & Elkins then summarized for the directors the key terms of the proposed merger agreement and voting and support agreements and noted certain of the key issues that remained open between the parties. Mr. Vollmer then reported to the directors about the discussions that he had held with several lender sources in an effort to secure committed financing for the transaction. Mr. Vollmer advised the Patterson-UTI board of directors that he believed that Patterson-UTI could finance the transaction with its existing revolving line of credit. The Patterson-UTI board of directors asked management to continue their efforts to secure additional financing.

On December 4, 2016, Mr. Siegel contacted Canyon Capital Advisors LLC (Canyon Capital) to gauge its interest in providing bridge financing to Patterson-UTI for the transaction. On December 7, 2016, Mr. Siegel provided Canyon Capital a proposed term sheet and information regarding Patterson-UTI, SSE and the proposed transaction with SSE. During the next week, Patterson-UTI, Canyon Capital and their respective financing counsel negotiated a financing commitment letter for a senior unsecured bridge facility in an aggregate principal amount not to exceed $150 million for the purposes of repaying or redeeming certain of SSE and its subsidiaries indebtedness and to pay related fees and expenses.

During negotiations with respect to the open issues in the merger agreement in November and early December, SSE continued to insist that the parties should use SSE s methodology for calculating the merger consideration, and that the aggregate maximum number of shares of Patterson-UTI common stock to be issued in the merger should be increased accordingly. During this time, Patterson-UTI continued to propose aggregate maximum consideration of 48,647,907 shares of Patterson-UTI common stock.

On December 6, 2016, representatives of Wachtell Lipton provided Vinson & Elkins with additional detail regarding SSE s methodology for calculating the merger consideration and proposed that Patterson-UTI issue a maximum of 50,084,670 shares of common stock in the merger (which, based on the December 9, 2016 closing Patterson-UTI share price of $28.17, equated to a value for the SSE equity and warrants of approximately $1.41 billion). Later that day, a teleconference was held between management of Patterson-UTI, Vinson & Elkins and Piper Jaffray and management of SSE, Mr. Vaishnavi, Wachtell Lipton and Morgan Stanley to discuss the calculation of the aggregate maximum shares of Patterson-UTI common stock to be issued in the merger and other open issues related to the merger agreement and voting and support agreements, including certain closing conditions, the size of the termination fees and when paid, the length of the proposed lockup of shares of Patterson-UTI common stock issued to the Significant SSE Stockholders in the merger and the survival of voting limitations if the merger agreement is terminated. After lengthy discussion, the parties agreed, among other things, that, subject to approval by each party s board of directors, Patterson-UTI would issue a maximum of 49,599,000 shares of Patterson-UTI common stock in the merger (which, based on the December 9, 2016 closing Patterson-UTI share price of $28.17, equated to a value for the SSE equity and warrants of approximately $1.40 billion), an increase of 951,093 shares to the number of shares specified in Patterson-UTI s offer letter.

The parties and their respective counsels engaged in discussions and negotiations over the next week to complete due diligence and finalize the merger agreement, voting and support agreements and related ancillary documents. These discussions and negotiations included numerous telephone conversations between the parties executives and representatives, as well as conversations between Mr. Siegel and Mr. Vaishnavi.

On December 9, 2016, the SSE board of directors held a telephonic board meeting to discuss negotiations with Patterson-UTI. Members of SSE management, as well as representatives of the Significant SSE Stockholders, Morgan Stanley and Wachtell Lipton were also present. Representatives of Morgan Stanley reviewed in detail the terms of the proposed transaction from a financial point of view, which had been

Table of Contents

summarized in materials previously provided to the SSE board of directors. Representatives of Wachtell Lipton then reviewed in detail the key terms of the proposed merger agreement and the voting agreements, both of which had been summarized in materials previously provided to the SSE board of directors. Representatives of Wachtell Lipton also reviewed with the SSE board of directors its fiduciary duties in considering a merger of SSE with a third party. During the meeting, the SSE board of directors instructed management to finalize the remaining open points in the merger agreement, disclosure schedules and ancillary documents.

On Monday, December 12, 2016, the Patterson-UTI board of directors held a telephonic board meeting. Members of Patterson-UTI management, as well as representatives of Piper Jaffray and Vinson & Elkins were also in attendance. Mr. Siegel advised the Patterson-UTI board of directors that he was able to negotiate the standby financing commitment letter with Canyon Capital and summarized its terms. A representative of Vinson & Elkins reviewed in detail for the Patterson-UTI board of directors the key terms of the draft merger agreement and related voting and support agreements, both of which had been summarized in materials previously provided to the Patterson-UTI board of directors. After the Vinson & Elkins presentation, at the request of the Patterson-UTI board of directors, Piper Jaffray made a detailed presentation regarding financial analysis related to the transaction and rendered its oral opinion to the Patterson-UTI board of directors (which was subsequently confirmed in writing by delivery of Piper Jaffray s written opinion addressed to the Patterson-UTI board of directors dated as of the same date) as to the fairness, from a financial point of view, to Patterson-UTI of the merger consideration pursuant to the merger agreement. After receiving management s recommendation to approve the proposed transaction with SSE on the terms set forth in the proposed merger agreement, the Patterson-UTI board of directors unanimously resolved to authorize and approve the proposed merger agreement and the merger and to approve the bridge financing.

On December 12, 2016 the SSE board of directors also held a telephonic board meeting to consider the transaction. Members of SSE management, as well as representatives of the Significant SSE Stockholders, Morgan Stanley and Wachtell Lipton were also present. Members of SSE s management reviewed the negotiations that had occurred since the last update and reported that due diligence and negotiations had been completed and that all material outstanding issues had been resolved or addressed. Following this discussion, representatives of Wachtell Lipton reviewed with the SSE board of directors its fiduciary obligations. Representatives of Morgan Stanley then presented materials and rendered to the SSE board of directors an oral opinion, confirmed by delivery of a written opinion dated December 12, 2016, to the effect that, as of that date and based on and subject to the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of review undertaken by Morgan Stanley as described in its written opinion, the consideration to be received by the holders of SSE common stock pursuant to the merger agreement was fair from a financial point of view to the holders of shares of SSE common stock. After receiving management s recommendation to approve the proposed transaction with Patterson-UTI on the terms set forth in the proposed merger agreement, the SSE board of directors unanimously resolved to authorize and approve the proposed merger agreement.

On the evening of December 12, 2016, the respective parties to the merger agreement and the voting and support agreements executed those agreements, and the respective parties to the financing commitment letter executed such letter.

Following the execution of the merger agreement, voting and support agreements and the financing commitment letter on December 12, 2016, Patterson-UTI and SSE issued a joint press release announcing the proposed merger and Patterson-UTI hosted a conference call for the investment community to explain the specific details of the proposed merger.

Patterson-UTI s Reasons for the Merger; Recommendation of the Patterson-UTI Board of Directors

In approving the merger agreement and recommending approval of the issuance of shares of Patterson-UTI common stock to SSE stockholders as part of the merger, the Patterson-UTI board of directors consulted with

Table of Contents

members of Patterson-UTI s management, as well as with Patterson-UTI s outside legal and financial advisors. The Patterson-UTI board of directors also considered a number of factors that the Patterson-UTI board of directors viewed as bearing on its decisions.

The principal factors that the Patterson-UTI board of directors viewed as supporting its decisions were:

Strategic Considerations. The Patterson-UTI board of directors considered a number of factors pertaining to the strategic rationale for the merger, including the following:

- SSE s assets and facilities;

- SSE s product lines, which the Patterson-UTI board expects will complement and strengthen Patterson-UTI s product lines, particularly contract drilling services and pressure pumping services;

- the expectation of the Patterson-UTI board of directors that the merger will be cash flow accretive to Patterson-UTI;

- the estimated available cost synergies in excess of $50 million upon full integration of the businesses through organizational, supply chain and corporate efficiencies, as well as through infrastructure optimization;

- that the merger would enhance Patterson-UTI s geographical footprint for contract drilling services and expand Patterson-UTI s geographical footprint for pressure pumping services, in each case into the mid-continent region of the United States; and

- that the merger would diversify Patterson-UTI s product offerings through the addition of SSE s oilfield rental business, which offers a diverse line of equipment and onsite services that complement contract drilling services and pressure pumping services.

Impact of the Merger on Customers, Employees and Suppliers. The Patterson-UTI board of directors evaluated the expected impact of the merger on Patterson-UTI s customers, employees and suppliers and the benefits that are expected to be derived from the merger, including increased operating efficiencies and reduced costs, which could allow the combined company to be more efficient and provide lower cost services for both contract drilling services and pressure pumping services. The Patterson-UTI board of directors considered that the combined organization would be able to utilize the available talent of both companies employees and will have additional scale and resources to offer greater opportunities to continuing employees.

Recommendation of Management. The Patterson-UTI board of directors took into account the recommendation of the merger by Patterson-UTI s management team.

Opinion of Financial Advisor. The Patterson-UTI board of directors considered the financial analyses of Piper Jaffray, as reviewed and discussed with the Patterson-UTI board of directors, as well as the opinion of Piper Jaffray to the effect that, as of December 12, 2016, and based upon and subject to the assumptions, procedures, factors, qualifications, limitations and other matters set forth in Piper Jaffray s written opinion, the up to 49,559,000 Patterson-UTI shares to be issued for all outstanding shares of SSE pursuant to the merger agreement was fair, from a financial point of view, to Patterson-UTI.

Strategic Alternatives. The Patterson-UTI board of directors considered industry trends and developments and the range of strategic alternatives available to Patterson-UTI.

Terms of the Merger Agreement. The Patterson-UTI board of directors reviewed and considered the terms of the merger agreement, including that the merger consideration consists of a maximum number of shares of Patterson-UTI common stock (subject to certain downward adjustments), the restrictions on each party s operations between the signing of the merger agreement and the closing of the merger, the representations and warranties of each party, the conditions to each party s obligation to complete the merger, the rights of each party to consider and engage in negotiations regarding potentially superior proposals, the rights of each party to withdraw or otherwise change its recommendation to its stockholders in favor of the proposals related to the merger agreement, the rights of each party to terminate the merger agreement and the obligations of each party to pay a termination fee or reimburse the other party for expenses. See The Merger Agreement beginning on page 121 for a detailed discussion of the terms and conditions of the merger agreement.

Voting Agreements. The Patterson-UTI board of directors considered that certain SSE stockholders holding, at the time of entry into the merger agreement, in the aggregate, approximately 61% of the issued and outstanding shares of SSE common stock entitled to vote at the SSE special meeting had entered into voting and support agreements with Patterson-UTI obligating such stockholders to vote all of the SSE shares held by them in favor of the adoption of the merger, as more fully described in Voting and Support Agreements beginning on page 144.

Post-Merger Corporate Governance. The Patterson-UTI board of directors considered that the combined company would be led by Patterson-UTI s existing board of directors and executive management team.

Tax Considerations. The Patterson-UTI board of directors considered that the merger is expected to qualify as a reorganization within the meaning of Section 368(a) of the Code and, as a result, SSE stockholders are generally not expected to recognize any gain or loss for U.S. federal income tax purposes upon the exchange of shares of SSE common stock for shares of Patterson-UTI common stock pursuant to the merger, except with respect to cash received in lieu of fractional shares of Patterson-UTI common stock.

Regulatory Approvals. The Patterson-UTI board of directors considered the likelihood that the merger will be completed on a timely basis, including the likelihood that the merger will receive all necessary regulatory approvals (and the conditions to which such approvals might be subject) and the likelihood that all conditions to consummation of the merger will be satisfied.

The Patterson-UTI board of directors weighed the foregoing against certain potentially negative factors, including:

Business Risks. The Patterson-UTI board of directors considered certain risks associated with SSE s business and operations, including the potential impact of changes in crude oil prices, as well as other risks of the type and nature described under Risk Factors beginning on page 35 and the matters described under Special Note Regarding Forward-Looking Statements beginning on page 33.

Merger Consideration. The Patterson-UTI board of directors considered that the aggregate merger consideration consists of a maximum number of shares of Patterson-UTI common stock (subject to certain downward adjustments), and the merger consideration will not adjust downwards to compensate Patterson-UTI for any decline in the price of SSE common stock or increase in the price of Patterson-UTI common stock prior to the closing of the merger. Please read Risk Factors Risks Relating to the Merger . The Patterson-UTI board of directors determined that this structure was appropriate and the risk acceptable in view of the relative intrinsic values and financial performance of Patterson-UTI and SSE, of the relative ownership of the combined company by current Patterson-UTI stockholders and SSE stockholders and the inclusion of other structural protections in the merger agreement, such as Patterson-UTI s ability to terminate the merger agreement if (i) SSE experiences certain material adverse effects on its business, (ii) certain material losses of SSE and its subsidiaries, in the interim period between the date of execution of the merger agreement and the effective time, exceed, or would reasonably be expected to exceed, individually or in the aggregate, $100 million, and (iii) an amount of net debt of SSE and its subsidiaries as of the closing date exceeds $500 million, as further described in The Merger Agreement Conditions to Completion of the Merger beginning on page 138.

Termination Fees; Alternative Proposals; Expense Reimbursement. The Patterson-UTI board of directors considered the risk that, although Patterson-UTI has the right under certain limited circumstances to consider and participate in negotiations with respect to proposals for alternative transactions, Patterson-UTI cannot terminate the merger agreement to enter into an alternative transaction. Moreover, the Patterson-UTI board considered the fact that Patterson-UTI must pay SSE either an expense reimbursement of up to $7,500,000 or a termination fee of $40,000,000 or $100,000,000 in cash if the merger agreement is terminated in certain circumstances. In addition, the Patterson-UTI board of directors considered that the merger agreement includes other customary restrictions on the ability of Patterson-UTI to solicit offers for alternative proposals or engage in discussions regarding such proposals, subject to exceptions, which could have the effect of discouraging such proposals from being made or pursued, even if potentially more favorable to the stockholders of Patterson-UTI than the merger.

Voting Agreements. The Patterson-UTI board of directors considered that, in the event that SSE s board of directors changes its recommendation that SSE stockholders adopt the merger agreement, all of the SSE stockholders party to the voting and support agreements, taken together, will only be required to vote shares that, in the aggregate, represent 39.99% of the issued and outstanding shares of SSE common stock in favor of the adoption of the merger agreement, with such SSE stockholders being able to vote the balance of their shares of SSE common stock on such matter in each such SSE stockholder s sole discretion.

Diversion of Management. The Patterson-UTI board of directors considered the possible diversion of management s time and attention from Patterson-UTI s ongoing business due to the substantial time and effort necessary to complete the merger and plan for and implement the integration of the operations of Patterson-UTI and SSE. Please read Risk Factors Risks Relating to the Merger beginning on page 35 for further information.

Transaction Costs and Integration. The Patterson-UTI board of directors took into account the significant transaction and integration costs to be incurred in connection with the merger and the possibility that the potential benefits of the merger, including the estimated cost synergies, will not be realized or will not be realized within the expected time period, and the risks and challenges associated with the integration of Patterson-UTI s and SSE s businesses, operations and workforces.

Debt Financing. The Patterson-UTI board of directors considered the financing alternatives to repay SSE s indebtedness, including the potential terms of a senior unsecured bridge facility to be entered into pursuant to the commitment letter entered with Canyon Capital Advisors LLC. The Patterson-UTI board of directors considered management s view that the terms of the proposed bridge facility were competitive in the then-current market for such facilities. The Patterson-UTI board of directors considered the expected level of the combined company s debt and its potential impact on the combined company s future business, financial results, financial condition and stock price.

Appraisal Rights. The Patterson-UTI board of directors considered the availability of statutory appraisal rights under Delaware law in connection with the merger for SSE stockholders.

This discussion of the information and factors considered by the Patterson-UTI board of directors in reaching its conclusions and recommendation includes the principal factors considered by the Patterson-UTI board of directors, but is not intended to be exhaustive and may not include all of the factors considered by the Patterson-UTI board of directors. In view of the wide variety of factors considered in connection with its evaluation of the merger and the other transactions contemplated by the merger agreement, and the complexity of these matters, the Patterson-UTI board of directors did not find it useful and did not attempt to quantify, rank or assign any relative or specific weights to the various factors that it considered in reaching its determination to approve the merger and the other transactions contemplated by the merger agreement, and to make its recommendation to Patterson-UTI stockholders. Rather, the Patterson-UTI board of directors viewed its decisions as being based on the totality of the information presented to it and the factors it considered, including its discussions with, and questioning of, members of Patterson-UTI s management and outside legal and financial advisors. In addition, individual members of the Patterson-UTI board of directors may have assigned different weights to different factors.

The Patterson-UTI board of directors unanimously approved the merger agreement, the merger and the other transactions contemplated by the merger agreement, and declared the merger agreement, the merger and the other transactions contemplated by the merger agreement (including the issuance of shares of Patterson-UTI common stock to SSE stockholders in connection with the merger) to be advisable and fair to and in the best interests of Patterson-UTI stockholders.

The Patterson-UTI board of directors unanimously recommends that Patterson-UTI stockholders vote FOR the proposal to approve the issuance of shares of Patterson-UTI common stock to SSE stockholders in connection with the merger.

Opinion of Patterson-UTI s Financial Advisor

Patterson-UTI engaged Piper Jaffray to act as its financial advisor in connection with the transactions contemplated by the merger agreement. As part of that engagement, the Patterson-UTI board of directors requested that Piper Jaffray evaluate the fairness, from a financial point of view, to Patterson-UTI, of up to 49,559,000 shares of Patterson-UTI common stock (the Aggregate Consideration) to be issued by Patterson-UTI for the outstanding shares of common stock of SSE, other than shares of SSE common stock held in treasury or owned by Patterson-UTI or any of its subsidiaries; provided, the Aggregate Consideration is subject to reduction for Series A warrants to purchase SSE common stock that are forfeited or are exercised on a net settlement basis on or prior to closing of the merger, and as more fully outlined in the merger agreement. The type and amount of consideration payable in the merger was determined through negotiations between Patterson-UTI and SSE and Piper Jaffray did not determine the amount of consideration to be paid. On December 12, 2016, Piper Jaffray delivered to the Patterson-UTI board of directors its oral opinion, confirmed by its delivery of a written opinion dated December 12, 2016, that, as of the date thereof, and based upon and subject to the assumptions, procedures, factors, qualifications, limitations and other matters set forth in Piper Jaffray s written opinion, the Aggregate Consideration to be issued for all outstanding shares of SSE pursuant to the merger agreement was fair, from a financial point of view, to Patterson-UTI.

The full text of Piper Jaffray s written opinion dated December 12, 2016, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of review undertaken by Piper Jaffray in delivering its opinion, is attached as Annex C to this proxy statement/prospectus and is incorporated herein by reference in its entirety.

Piper Jaffray s opinion was addressed to, and provided for the information and benefit of, the Patterson-UTI board of directors and was delivered to the Patterson-UTI board of directors in connection with its evaluation of the fairness of the Aggregate Consideration from a financial point of view, with respect to Patterson-UTI, and did not address any other aspects or implications of the transactions contemplated by the merger agreement. Piper Jaffray s opinion does not constitute a recommendation to the Patterson-UTI board of directors or to any other persons in respect of the transactions contemplated by the merger agreement, including as to how any holder of Patterson-UTI common stock should vote or act with respect to the proposal to adopt any other matter. Piper Jaffray s opinion did not address the relative merits of the transactions contemplated by the merger agreement compared to other business or financial strategies that might be available to Patterson-UTI, nor did it address the underlying business decision of Patterson-UTI to enter into the merger agreement or to consummate the transactions contemplated by that agreement. Piper Jaffray has consented to the inclusion of a summary of its opinion in this joint proxy statement/prospectus and the attachment of the full text of its opinion as Annex C. Piper Jaffray has also consented to the use of this summary and the attached full text of its opinion in connection with soliciting any stockholder votes required to approve the transactions contemplated by the merger agreement.

Piper Jaffray s opinion necessarily was based upon information made available to Piper Jaffray as of December 12, 2016 and financial, economic, market and other conditions as they existed and could be

Table of Contents

evaluated on such date. Piper Jaffray has no obligation to update, revise or reaffirm its opinion based on subsequent developments. Piper Jaffray s opinion did not express any opinion as to the price at which the shares of Patterson-UTI or SSE will trade at any time.

The following is a summary of Piper Jaffray s opinion. We encourage you to read carefully, in its entirety, the text of Piper Jaffray s opinion, which is attached as Annex C to this joint proxy statement/prospectus.

In connection with rendering its opinion, Piper Jaffray has, among other things:

(i) reviewed and analyzed the financial terms of a draft of the merger agreement dated December 8, 2016;

(ii) reviewed and analyzed certain financial and other data with respect to Patterson-UTI and SSE which was publicly available;

(iii) reviewed and analyzed certain information, including financial forecasts, relating to the business, earnings, cash flow, assets, liabilities and prospects of Patterson-UTI and SSE, on a stand-alone basis, that were publicly available, as well as those that were furnished to Piper Jaffray by Patterson-UTI and SSE, respectively, including the analyses and forecasts of certain cost savings, operating efficiencies, revenue effects, strategic benefits and other synergies expected by management of Patterson-UTI to result from the merger (the Synergies);

(iv) conducted discussions with members of senior management and representatives of Patterson-UTI and SSE concerning the matters described in clauses (ii) and (iii) above, as well as their respective businesses and prospects before and after giving effect to the merger and the Synergies;

(v) reviewed the current and historical reported prices and trading activity of Patterson-UTI common stock and SSE common stock and similar information for certain other companies deemed by Piper Jaffray to be comparable to Patterson-UTI and SSE;

(vi) compared the financial performance of Patterson-UTI and SSE with that of certain other publicly traded companies that Piper Jaffray deemed relevant;

(vii) reviewed the financial terms, to the extent publicly available, of certain business combination transactions that Piper Jaffray deemed relevant; and

(viii) conducted such other analyses, examinations and inquiries and considered such other financial, economic and market criteria as Piper Jaffray deemed necessary in arriving at its opinion.

Piper Jaffray assumed that all Series A warrants to purchase SSE common stock are exercised on a full physical settlement basis prior to closing of the merger, generating approximately $92.5 million in cash proceeds to SSE.

Piper Jaffray has relied upon and assumed, without assuming liability or responsibility for independent investigation or verification, the accuracy and completeness of all information that was publicly available or was furnished, or otherwise made available, to Piper Jaffray or discussed with or reviewed by Piper Jaffray. Piper Jaffray further relied upon the assurances of the management of Patterson-UTI that the financial information provided has been prepared on a reasonable basis in accordance with industry practice, and that they are not aware of any information or facts that would make any information provided to Piper Jaffray incomplete or misleading. Without limiting the generality of the foregoing, for the purpose of its opinion, Piper Jaffray assumed that with respect to financial forecasts, estimates and other forward-looking information (including the Synergies) reviewed by Piper Jaffray, that such information has been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments of the management of Patterson-UTI as to the expected future results of operations and financial condition of Patterson-UTI and SSE, respectively. Piper Jaffray expressed no opinion as to any such financial forecasts, estimates or forward-looking information (including the Synergies) or the assumptions on which they were based. Piper Jaffray expressed no opinion as to additional capital, if any, required to achieve the Synergies, financial forecasts or projections or to retire SSE s outstanding indebtedness. Piper Jaffray has further assumed that the merger will have the tax consequences described in this joint proxy statement/prospectus relating to the merger. Piper Jaffray relied, with Patterson-UTI s consent, on advice of the outside counsel of Patterson-UTI and SSE, and on the assumptions of the management of Patterson-UTI as to all accounting, legal, tax and financial reporting matters with respect to Patterson-UTI, SSE and the merger agreement.

In arriving at its opinion, Piper Jaffray assumed that the executed merger agreement was in all material respects identical to the last draft reviewed by Piper Jaffray. Piper Jaffray has relied upon and assumed, without independent verification, that (i) the representations and warranties of all parties to the merger agreement and all other related documents and instruments that are referred to therein are true and correct, (ii) each party to such agreements will fully and timely perform all of the covenants and agreements required to be performed by such party, (iii) the merger will be consummated pursuant to the terms of the merger agreement without amendments thereto and (iv) all conditions to the consummation of the merger will be satisfied without waiver by any party of any conditions or obligations thereunder. Additionally, Piper Jaffray assumed that all the necessary regulatory approvals and consents required for the merger will be obtained in a manner that will not adversely affect Patterson-UTI, SSE, the consummation of the merger or the contemplated benefits of the merger.

In arriving at its opinion, Piper Jaffray did not perform any appraisals or valuations of any specific assets or liabilities (fixed, contingent or other) of Patterson-UTI or SSE, and was not furnished or provided with any such appraisals or valuations, nor did Piper Jaffray evaluate the solvency of Patterson-UTI or SSE under any state or federal law relating to bankruptcy, insolvency or similar matters or the impact of the merger on the solvency or viability of Patterson-UTI or SSE or the ability of Patterson-UTI or SSE to pay their respective obligations when they come due. The analyses performed by Piper Jaffray in connection with its opinion were going concern analyses. Piper Jaffray expressed no opinion regarding the liquidation value of Patterson-UTI, SSE or any other entity. Without limiting the generality of the foregoing, Piper Jaffray undertook no independent analysis of any pending or threatened litigation, regulatory action, possible unasserted claims or other contingent liabilities, to which Patterson-UTI, SSE or any of their affiliates is a party or may be subject, and at the direction of Patterson-UTI and with its consent, Piper Jaffray s opinion makes no assumption concerning, and therefore does not consider, the possible assertion of claims, outcomes or damages arising out of any such matters. Piper Jaffray also assumed that neither Patterson-UTI nor SSE is party to any material pending transaction, including without limitation any financing, recapitalization, acquisition or merger, divestiture or spin-off, other than the merger.

No company or transaction used in any analysis for purposes of comparison is identical to Patterson-UTI, SSE or the merger. Accordingly, an analysis of the results of the comparisons is not mathematical; rather, it involves complex considerations and judgments about differences in the companies and transactions to which Patterson-UTI, SSE and the merger were compared and other factors that could affect the public trading value or transaction value of the companies to which they are being compared.

Piper Jaffray s opinion is necessarily based upon the information available to it and facts and circumstances as they existed and were subject to evaluation on the date of its opinion; events occurring after the date of its opinion could materially affect the assumptions used in preparing its opinion. Piper Jaffray did not express any opinion in its opinion as to the price at which shares of SSE common stock or shares of Patterson-UTI may trade following announcement of the merger or at any future time. Piper Jaffray has not undertaken to reaffirm or revise its opinion or otherwise comment upon any events occurring after the date of its opinion and does not have any obligation to update, revise or reaffirm its opinion.

Piper Jaffray s opinion addressed solely the fairness, from a financial point of view, to Patterson-UTI of the Aggregate Consideration set forth in the merger agreement and does not address any other terms or agreement relating to the merger or any other terms of the merger agreement. Piper Jaffray was not requested to opine as to, and its opinion does not address: (i) the underlying business decision to proceed with or effect the merger; (ii) the merits of the merger relative to any alternative transaction or business strategy that may be available to Patterson-UTI; (iii) any other terms contemplated by the merger agreement or (iv) the solvency or financial viability of

Table of Contents

Patterson-UTI or SSE at the date of its opinion, upon consummation of the merger, or at any future time. Furthermore, Piper Jaffray expressed no opinion with respect to the amount or nature of compensation to any officer, director or employee of any party to the merger, or any class of such persons, relative to the Aggregate Consideration to be paid by Patterson-UTI in the merger or with respect to the fairness of any such compensation.

Piper Jaffray s opinion was only one of many factors considered by the Patterson-UTI board of directors in its evaluation of the transactions contemplated by the merger agreement and should not be viewed as determinative of the views of the Patterson-UTI board of directors with respect to the transactions contemplated by the merger agreement.

Summary of Material Financial Analyses

The following is a brief summary of the material financial and comparative analyses that Piper Jaffray deemed to be appropriate for this type of transaction and that Piper Jaffray presented to the Patterson-UTI board of directors on December 12, 2016 in connection with delivering its opinion:

- Relative Asset Value Analyses;
- Relative Discounted Cash Flow Analyses;
- Market Growth Sensitivities to Relative Discounted Cash Flow Analyses;
- Contribution Analyses;
- Select Publicly Traded Companies Analyses; and
- Select Comparable Transaction Analyses.

In addition to the analyses described above, Piper Jaffray also analyzed and reviewed (i) the trading profile of SSE s shares and implied valuation of SSE, (ii) premiums paid for publicly traded companies that Piper Jaffray deemed relevant to SSE, and (iii) comparison of the value assessment of SSE during its bankruptcy process to the implied values based on the merger agreement.

The following summary, however, does not purport to be a complete description of all of the analyses performed and reviewed by Piper Jaffray underlying the Piper Jaffray opinion and the presentation made by Piper Jaffray to the Patterson-UTI board of directors on December 12, 2016, but summarizes the material analyses performed and presented in connection with such opinion. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. A fairness opinion is thus not susceptible to partial analysis or summary descriptions. In arriving at its opinion, Piper Jaffray did not attribute any particular weight to any analysis or factor that it considered, but rather made qualitative judgments as to the significance and relevance of each analysis and factor.

The summary of the analyses and reviews provided below includes information presented in tabular format. In order to fully understand Piper Jaffray s analyses and reviews, the tables must be read together and with the full text of each summary. The tables alone do not constitute a complete description of Piper Jaffray s analyses and reviews. Considering the data in the tables below without considering the full description of the analyses and reviews, including the methodologies and assumptions underlying the analyses and reviews, could create a misleading or incomplete view of Piper Jaffray s analyses and reviews.

To the extent that any of the quantitative data used in Piper Jaffray s financial analyses or described in this summary thereof is based on market data, it is based on market data as it existed on or before December 9, 2016 and is not necessarily indicative of current market conditions.

Table of Contents

Relative Asset Value Analysis

Patterson-UTI management made an assessment of the market values of the operating assets and facilities of Patterson-UTI and SSE based on their knowledge of the industry. Piper Jaffray augmented this data with the financial assets and liabilities of both companies to derive the implied enterprise values (EVs) for each company. A range of implied equity values for each company was then calculated by adjusting the range of implied EVs by each company s net debt (assuming reduction of SSE s net debt by $92.5 million to reflect expected proceeds from warrant exercises). Based on the range of these implied equity values and the current outstanding number of shares of Patterson-UTI common stock, Piper Jaffray calculated the implied number of shares to be issued to SSE to be 53.3 million.

Relative Discounted Cash Flow Analyses

Piper Jaffray performed a discounted cash flow analysis of Patterson-UTI and SSE to calculate the estimated present value as of January 1, 2017 of the standalone, unlevered, after-tax free cash flows that Patterson-UTI and SSE were projected to generate from January 1, 2017 through December 31, 2020, in each case, based on the Patterson-UTI management projections for Patterson-UTI and the Patterson-UTI management projections for SSE. Per guidance from Patterson-UTI, no cash taxes were projected for either company during the forecast period. Piper Jaffray calculated a terminal value of each company based on a range of EBITDA exit multiples, using its professional judgment given the nature and business of each of Patterson-UTI and SSE and the industry in which both operate, from 5.50x to 7.50x, to the projected standalone EBITDA of both companies in the terminal year. The cash flows and the terminal value were then discounted to present value using a discount rate of 10.0% to 12.0%, based on an estimate of both companies weighted average cost of capital calculated using the capital asset pricing model, to derive a range of implied EVs for Patterson-UTI and SSE. A range of implied equity values for each company was then calculated by adjusting the range of implied EVs by each company s net debt (assuming reduction of SSE s net debt by $92.5 million to reflect expected proceeds from warrant exercises).

Based on these standalone relative equity values of Patterson-UTI and SSE, Piper Jaffray calculated the number of shares of Patterson-UTI common stock to be issued to SSE to be 44.5 47.1 million. Piper Jaffray also calculated the number of shares of Patterson-UTI common stock to be issued to SSE if 50% of the Synergies were attributed to SSE in the discounted cash flow analysis (and none were attributed to Patterson-UTI) which implied the number of shares of Patterson-UTI common stock to be issued to SSE to be 53.6 55.2 million. Finally, Piper Jaffray calculated the number of shares of Patterson-UTI common stock to be issued to SSE if 100% of the Synergies were attributed to SSE (and none were attributed to Patterson-UTI) which implied 62.8 63.4 million shares of Patterson-UTI common stock to be issued to SSE.

Market Growth Sensitivities to Relative Discounted Cash Flow Analyses

To illustrate the potential effects of a more robust or slower market recovery, Piper Jaffray estimated the effect of increasing projected revenue for both companies over the projected period by 20% and also lowering projected revenue by 20%. Gross profit margins and SG&A expense were held constant to calculate the impact of higher or lower revenue on cash flow. A relative discounted cash flow analysis was performed as outlined above but utilizing a constant 6.5x EBITDA exit multiple and an 11% discount rate. A range of equity values for each company was then calculated by adjusting the range of implied EVs by each company s net debt (assuming reduction of SSE s net debt by $92.5 million to reflect expected proceeds from warrant exercises).

Based on these standalone equity values of Patterson-UTI and SSE, Piper Jaffray calculated the number of shares of Patterson-UTI common stock to be issued to SSE to be 39.7 49.4 million. Piper Jaffray also calculated the number of shares of Patterson-UTI common stock to be issued to SSE if 50% of the Synergies were attributed to SSE in the discounted cash flow analysis (and none were attributed to Patterson-UTI) which implied the number of shares of Patterson-UTI common stock to be issued to SSE to be 51.3 56.3 million.

Finally, Piper Jaffray calculated the number of shares of Patterson-UTI common stock to be issued to SSE if 100% of the Synergies were attributed to SSE (and none were attributed to Patterson-UTI) which implied 63.0 63.2 million shares of Patterson-UTI common stock to be issued to SSE.

Contribution Analysis

Piper Jaffray analyzed the respective contributions of Patterson-UTI and SSE to the combined company using specific historical and estimated future financial metrics, including the relative contribution of revenue, gross profit, EBITDA, capital expenditures since 2011 and capital expenditures since 2013, based on the historical results of each company, the Patterson-UTI management projections for Patterson-UTI and the Patterson-UTI management projections for SSE. For gross profit and EBITDA, sensitivities were also shown with 50% to 100% of the Synergies attributed to SSE and none to Patterson-UTI. Piper Jaffray then analyzed such contributions on a levered basis (by taking into consideration each company s net debt as of September 30, 2016 as well as the anticipated $92.5 million of warrant proceeds for SSE assuming the Series A warrants are exercised on a physical settlement basis). This analysis indicated the relative contributions of Patterson-UTI and SSE and the implied number of shares of Patterson-UTI common stock to be issued to SSE, as shown in the table below.

Implied Number of Shares of Patterson-UTI Common Stock to Be Issued to SSE

No Synergies	**Low**	**High**
	(shares in millions)	
Revenue (2012-2020P)	63.5	99.0
Gross Profit (2012-2020P)	53.1	82.1
EBITDA (2012-2020P)	36.2	72.4
Capital Expenditures Since 2011	58.5	58.5
Capital Expenditures Since 2013	53.9	53.9
50% Synergies to SSE		
Gross Profit (2012-2020P)	54.4	83.9
EBITDA (2012-2020P)	47.1	77.3
100% Synergies to SSE		
Gross Profit (2012-2020P)	55.8	85.6
EBITDA (2012-2020P)	57.2	99.6

Select Publicly Traded Companies Analyses

Piper Jaffray reviewed and compared certain financial information, ratios and public market multiples for Patterson-UTI and SSE to corresponding financial information, ratios and public market multiples for the following publicly traded corporations that provide comparable services as Patterson-UTI and SSE and also have material operations in the oilfield services market in North America:

Ensign Energy Services Inc. (Ensign)

Helmerich & Payne, Inc. (H&P)

Mammoth Energy Service, Inc. (Mammoth)

Nabors Industries Ltd. (Nabors)

Precision Drilling Corporation (Precision)

RPC, Inc. (RPC)

Superior Energy Services, Inc. (Superior)

Trican Well Service Ltd. (Trican)

Table of Contents

Although none of the selected companies is directly comparable to Patterson-UTI or SSE, the companies included were chosen because they are publicly traded companies with greater than $500 million in market capitalization and with operations that, in Piper Jaffray s experience and professional judgment for purposes of this analysis, may be considered similar to certain aspects of Patterson-UTI or SSE s operations, financial profile, size, service profile, geographic exposure and end market exposure.

Piper Jaffray also calculated and compared various financial multiples and ratios based on information from publicly available historical data and consensus analyst estimates. EVs were calculated for the purpose of these multiples as adjusted for net financial debt, minority interests, equity investments and other debt-like items as disclosed in public filings. The multiples and ratios were calculated using the applicable closing market prices as of December 9, 2016, except for SSE which reflects the implied value of SSE based on the terms of the merger agreement and the Patterson-UTI closing share price as of December 9, 2016, shown in the tables below as SSE (At Offer) . For EBITDA multiples, sensitivities were included for 50% to 100% of the Synergies being attributable to SSE and none to Patterson-UTI. For multiples of tangible book value, multiples were shown for SSE as of June 30, 2016 and September 30, 2016 due to the differences in book values that arose related to the application of fresh start accounting upon SSE s exit from bankruptcy in August 2016, as the selected companies and Patterson-UTI have not adjusted their asset carrying values pursuant to fresh start accounting.

				EV / EBITDA[2]			EV / TABV[3]
	Equity Value (dollars in millions)	**Enterprise Value (dollars in millions)**	**EV / Revenue TTM[1]**	**2016E**	**2017P**	**2018P**	**9/30/2016**
Ensign	$ 1,103	$ 1,613	2.3x	11.9x	9.9x	7.4x	0.7x
H&P	8,943	8,400	5.2x	24.2x	20.4x	13.6x	1.5x
Mammoth	644	714	3.2x	18.9x	11.3x	7.5x	2.9x
Nabors	4,733	8,014	3.3x	13.2x	11.3x	7.7x	1.2x
Precision Drilling	1,713	2,972	3.9x	17.3x	12.9x	8.1x	1.1x
RPC	4,607	4,468	5.8x	NM	29.1x	11.3x	5.8x
Superior	2,740	3,735	2.3x	NM	17.7x	7.6x	1.9x
Trican	640	693	1.0x	NM	23.6x	7.9x	1.7x
Peer Range			**1.0x 5.8x**	**11.9x 24.2x**	**9.9x 29.1x**	**7.4x 13.6x**	**0.7x 5.8x**
Peer Median			**3.3x**	**21.5x**	**15.3x**	**7.8x**	**1.6x**
Patterson-UTI	**$ 4,199**	**$ 4,776**	**4.7x**	**24.4x**	**19.8x**	**10.1x**	**1.4x**
SSE (At Offer)	**1,396**	**1,755**	**2.9x**	**23.3x**	**23.2x**	**12.8x**	**1.1x[4] / 2.0x[5]**
SSE (At Offer) With 50% Synergies	**1,396**	**1,755**	**2.9x**	**17.1x**	**16.9x**	**10.5x**	**1.1x[4] / 2.0x[5]**
SSE (At Offer) With 100% Synergies	**1,396**	**1,755**	**2.9x**	**13.5x**	**13.3x**	**8.9x**	**1.1x[4] / 2.0x[5]**

1. Trailing twelve months through September 30, 2016.
2. Capital IQ consensus EBITDA estimates for all except SSE and Patterson-UTI.

3. Defined as net property, plant and equipment plus net working capital.
4. Reflects tangible adjusted book value before application of fresh start accounting (June 30, 2016).
5. Reflects tangible adjusted book value after application of fresh start accounting (September 30, 2016).

Table of Contents

Select Comparable Transaction Analyses

Using publicly available information, Piper Jaffray evaluated the following fifteen transactions in the oil service industry:

				Ratio Of Transaction Value To:		
Date Announced	**Acquiror**	**Target**	**Transaction Value (dollars in millions)**	**TTM EBITDA**	**TABV**	**Baker Hughes U.S. Land Rig Count**
06/15	Trinidad Drilling	CanElson Drilling	$ 431	6.1x	1.0x	841
06/14	C&J Energy Services	Nabors C&P Division	2,666	8.8x	1.8x	1,799
02/12	URS	Flint Energy Services	1,485	12.1x	1.9x	1,953
10/11	Superior Energy Services	Complete Production Services	3,100	5.6x	2.2x	1,978
02/11	Seawell	Allis-Chalmers	840	10.0x	1.0x	1,688
08/11	Archer	Great White	630	9.4x	3.7x	1,871
08/10	Nabors Industries	Superior Well Services	898	20.4x	1.9x	1,588
02/10	Schlumberger	Smith International	13,657	14.2x	2.9x	1,300
02/10	Toromont	Enerflex	669	9.0x	2.1x	1,327
08/09	Baker Hughes	BJ Services	5,530	6.7x	1.8x	967
06/08	Precision Drilling Trust	Grey Wolf	1,576	4.9x	1.9x	1,820
06/08	Smith International	W-H Energy Services	3,192	9.8x	4.2x	1,810
05/08	First Reserve and others	Saxon Energy Services	683	10.8x	1.9x	1,770
02/08	First Reserve	CHC Helicopter	2,310	12.0x	1.8x	1,717
06/07	Goldman Sachs Capital and Others	CCS Income Trust	3,298	13.0x	3.5x	1,697
		Peer Range	$ 431 $13,657	4.9x 20.4x	1.0x 4.2x	841 1,978
		Median	1,576	9.8x	1.9x	1,717
		SSE (At Offer)	$ 1,755	15.7x	1.1x[1] / 2.0x[2]	602[3]

1. Reflects tangible adjusted book value before application of fresh start accounting (June 30, 2016).
2. Reflects tangible adjusted book value after application of fresh start accounting (September 30, 2016).
3. Source: Baker Hughes. As of December 9, 2016.

No transaction utilized as a comparison in the precedent transaction analysis is identical to the merger. In evaluating the merger, Piper Jaffray made numerous judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters. Mathematical analysis, such as determining the median and range, is not in itself a meaningful method of using comparable transaction data. Also, the transaction multiples for precedent transactions reflect the cyclicality of the oil service industry. As demonstrated by the Baker Hughes Rig Count data at the time of each precedent transaction, the current industry activity levels are materially depressed relative to the activity levels of all of the precedent transactions which limit the relevance of the metrics from comparable transactions to the merger, particularly for multiples of trailing 12-month EBITDA.

Other Analysis

Since SSE emerged from bankruptcy in August 2016, its shares have traded on the OTC Grey. Piper Jaffray reviewed the trading volume and price history of SSE during this period of trading on the OTC Grey noting the very low volumes of trading relative to comparable public companies. Piper Jaffray also considered the nature of the shareholder base for SSE given the debt for equity conversion that was the outcome of SSE s bankruptcy as well as the limited float that would be available given that shareholders accounting for approximately 60% of SSE s shares were aware of the SSE s negotiations with Patterson-UTI and thus would not have been active in the trading of SSE during the majority of the time it was traded on the OTC Grey. Piper Jaffray also noted that

Table of Contents

SSE is not actively covered by any recognized industry analysts and that SSE has not participated in industry conferences or held earnings conference calls with investors since it emerged from bankruptcy. Based on these factors, Piper Jaffray believes limited inferences can be gained by the trading of SSE s shares on the OTC Grey. The closing price of SSE s shares on December 9, 2016 was $26.50 which implies an equity market value of $641 million for SSE.

Using publicly available information, Piper Jaffray analyzed the premiums paid in 18 acquisitions of publicly traded oilfield services companies since 2006. Although none of the selected targets is directly comparable to SSE, the companies included were chosen because they are publicly traded companies that participate in the oilfield services industry and, in Piper Jaffray s experience and professional judgment for purposes of this analysis, may be considered similar to SSE. For each of these transactions, Piper Jaffray calculated the premium represented by the offer price over the target company s share price for the one day period prior to the transaction s announcement and the target company s average share price for the 30 trading days prior to the transaction s announcement. This analysis indicated the following:

	Implied Enterprise Value (dollars in millions)	Share Price Premium 1-Day	30-Day
18 Peer Transactions			
Range	$ 411 $34,906	5% 79%	13% 69%
Median	2,521	26%	26%
SSE (At Offer)	**$ 1,755**	**103%**	**122%**

Given the limited trading and other factors that affect the valuation of SSE as it trades on the OTC Grey, Piper Jaffray did not draw any conclusions from analyses of premiums paid in comparable transactions.

During the bankruptcy process of SSE in the summer of 2016, SSE s financial advisors assessed the enterprise value of SSE to be $700 to $900 million (the Bankruptcy Valuation). The date of the Bankruptcy Valuation was May 9, 2016. In the application of fresh start accounting upon emerging from bankruptcy, SSE elected to use $900 million as the basis of its valuation. To compare the Bankruptcy Valuation to values implied by the merger, Piper Jaffray calculated the change in enterprise values for the comparable companies used in the Select Publicly Traded Companies Analyses from May 9, 2016 to December 9, 2016. These percentage changes in enterprise values for the Selected Publicly Traded Companies were then applied to the Bankruptcy Valuation to imply an updated Bankruptcy Valuation which was then compared to the valuation of SSE implied by the merger. This analysis indicated the following:

Valuation Date	May 9, 2016	
Enterprise Valuation Range (millions)	$ 700	$ 900
Range Of Change In Enterprise Value Of Companies	13% 92%	13% 92%
Implied Current Enterprise Value Range (millions)	**$ 789 $1,341**	**$ 1,015 $1,724**
SSE Enterprise Value (At Offer) (millions)	**$ 1,755**	

Piper Jaffray did not participate in the bankruptcy process of SSE nor does it have any insight into factors or influences that affected the Bankruptcy Valuation. As such, Piper Jaffray did not draw any inferences or conclusions from the Bankruptcy Valuation of SSE.

Miscellaneous

Piper Jaffray is a nationally recognized investment banking firm and is regularly engaged as a financial advisor in connection with mergers and acquisitions, underwritings and secondary distributions of securities, private placements, and valuations for corporate and other purposes. Patterson-UTI selected Piper Jaffray to act as its financial advisor based on Piper Jaffray s qualifications, expertise and knowledge of the oil service industry.

Piper Jaffray was engaged by Patterson-UTI to act as its financial advisor in connection with the merger by entering into an engagement letter dated December 5, 2016. Pursuant to the engagement letter, Patterson-UTI agreed to pay Piper Jaffray (i) an opinion fee of $1,000,000 upon delivery of the opinion to Patterson-UTI, which will be credited against the transaction fee and (ii) contingent upon closing of the merger, a transaction fee of $8,000,000. Piper Jaffray s opinion fee is not contingent upon the closing of the merger or the conclusions reached in its opinion. Pursuant to the engagement letter, Patterson-UTI also agreed to reimburse Piper Jaffray for reasonable out-of-pocket expenses incurred in connection with its services up to $100,000 and to indemnify Piper Jaffray against certain liabilities arising out of its engagement.

Piper Jaffray has, in the past, provided financial advisory services to Patterson-UTI and/or its affiliates and may continue to do so and have received, and may receive, fees for the rendering of such services. Specifically, within the last three years, Piper Jaffray has provided financial advisory services to Patterson-UTI and with respect to several transactions that were not entered into, and with respect to one engagement, Piper Jaffray received an upfront retainer fee. A member of Piper Jaffray s deal team has a long position in Patterson-UTI common stock. In addition, in the ordinary course of Piper Jaffray s business, it and its affiliates may actively trade securities of Patterson-UTI and SSE for its own account or the account of its customers and, accordingly, may at any time hold a long or short position in such securities. Piper Jaffray may also, in the future, provide investment banking and financial advisory services to Patterson-UTI, SSE or entities that are affiliated with Patterson-UTI or SSE, for which Piper Jaffray would expect to receive compensation. Consistent with applicable legal and regulatory requirements, Piper Jaffray has adopted policies and procedures to establish and maintain the independence of Piper Jaffray s Research Department and personnel. As a result, Piper Jaffray s research analysts may hold opinions, make statements or recommendations, and/or publish research reports with respect to Patterson-UTI and the merger and other participants in the merger that differ from the views of Piper Jaffray s investment banking personnel.

SSE s Reasons for the Merger; Recommendation of the SSE Board of Directors

On December 12, 2016, the SSE board of directors unanimously approved the merger agreement and determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable, and fair to and in the best interests of SSE and its stockholders. Accordingly, the SSE board of directors unanimously recommends that the SSE stockholders vote FOR each of the merger proposal and the SSE adjournment proposal.

In the course of reaching its decision to approve the merger and the merger agreement, the SSE board of directors consulted with outside legal and financial advisors and SSE s management team and considered the following positive factors relating to the merger agreement and the merger, each of which the board of directors believed supported its decision:

Attractive Value. The SSE board of directors considered the current and historical market prices of SSE and Patterson-UTI common stock, including the market price and performance of SSE common stock relative to those of other participants in SSE s industry and general market indices, including the fact that the aggregate merger consideration of 49,559,000 shares of Patterson-UTI common stock represented an implied value, based on the trading price of Patterson-UTI common stock on December 8, 2016, of $51.19 per SSE share, representing a premium of $25.19 over SSE s share price of $26.00 as of December 8, 2016.

Opportunity to Participate in Potential Synergies and Value Appreciation of the Combined Company. The SSE board of directors considered the structure of the transaction as a stock-for-stock merger following which SSE s existing stockholders will continue as stockholders of the combined company and will participate in the future success of the combined company and participate in the benefits of synergies and any future transactions that might be pursued by the combined company.

Best Alternative for Maximizing Stockholder Value. The SSE board of directors considered that the merger consideration was more favorable to SSE stockholders than the potential value that would reasonably be expected to result from other alternatives reasonably available to SSE, including the continued operation of SSE on a standalone basis and other potential actionable strategic transactions, in light of a number of factors, including:

- the board of directors assessment of SSE s business, assets and prospects, its competitive position and historical and projected financial performance, including SSE s recent emergence from bankruptcy, and the nature of the industries in which SSE operates;

- the strategic and financial alternatives reasonably available to SSE, including pursuing an initial public offering, and the risks and uncertainties associated with those alternatives;

- the board of directors belief, following consultation with its financial advisors, that in light of SSE s industry position, complementary businesses and assets, together with Patterson-UTI s geographic footprint, that Patterson-UTI could offer the best combination of value and closing certainty to SSE stockholders; and

- the course and history of the negotiations between SSE and Patterson-UTI since September 2016, which resulted in an increase in the aggregate consideration from Patterson-UTI s initial proposal of approximately 26.4 million shares of Patterson-UTI common stock to 49.559 million shares of Patterson-UTI common stock (in each case subject to certain downward adjustments).

Receipt of Fairness Opinion from Morgan Stanley. The SSE board of directors considered the opinion of Morgan Stanley that, as of December 12, 2016, and based upon and subject to the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of review undertaken by Morgan Stanley as described in its opinion, the consideration to be received by holders of SSE common stock pursuant to the merger agreement was fair from a financial point of view to the holders of shares of SSE common stock, as more fully described in the section entitled Opinion of SSE s Financial Advisor, beginning on page 94.

Tax Considerations. The SSE board of directors considered that the merger is expected to qualify as a reorganization within the meaning of Section 368(a) of the Code and, as a result, SSE stockholders are generally not expected to recognize any gain or loss for U.S. federal income tax purposes upon the exchange of shares of SSE common stock for shares of Patterson-UTI common stock pursuant to the merger, except with respect to cash received in lieu of fractional shares of Patterson-UTI common stock.

Recommendation of Management. The SSE board of directors took into account the recommendation of the merger by SSE s management team.

Terms of the Merger Agreement. The SSE board of directors reviewed and considered the terms of the merger agreement, including that the merger consideration consists of a maximum number of shares of Patterson-UTI common stock (subject to certain downward adjustments), the restrictions on each party s operations between the signing of the merger agreement and the closing of the merger, the representations and warranties of each party, the conditions to each party s obligation to complete the merger, the rights of each party to consider and engage in negotiations regarding potentially superior proposals, the rights of each party to withdraw or otherwise change its recommendation to its stockholders in favor of the proposals related to the merger agreement, the rights of each party to terminate the merger agreement and the obligations of each party to pay a termination fee or reimburse the other party for expenses. See The Merger Agreement beginning on page 121 for a detailed discussion of the terms and conditions of the merger agreement.

Appraisal Rights. The SSE board of directors considered the availability of statutory appraisal rights under Delaware law in connection with the merger for SSE stockholders.

In the course of reaching its recommendation, the SSE board of directors also considered the risks and potentially negative factors relating to the merger agreement and the merger, including:

Non-Solicitation Covenant. The SSE board of directors considered that the merger agreement imposes restrictions on soliciting competing acquisition proposals from third parties.

Table of Contents

Termination Fees; Alternative Proposals; Expense Reimbursement. The SSE board of directors considered the risk that, although SSE has the right under certain limited circumstances to consider and participate in negotiations with respect to proposals for alternative transactions, SSE cannot terminate the merger agreement to enter into an alternative transaction. Moreover, the SSE board of directors considered the fact that SSE must pay Patterson-UTI either an expense reimbursement of up to $7,500,000 or a termination fee of $40,000,000 in cash if the merger agreement is terminated in certain circumstances. In addition, the SSE board of directors considered that the merger agreement includes other customary restrictions on the ability of SSE to solicit offers for alternative proposals or engage in discussions regarding such proposals, subject to exceptions, which could have the effect of discouraging such proposals from being made or pursued, even if potentially more favorable to the stockholders of SSE than the merger.

Interim Operating Covenants. The SSE board of directors considered that the merger agreement imposes restrictions on the conduct of SSE s business prior to the consummation of the merger (see Merger Agreement Other Covenants and Agreements).

Risk That the Merger May Not Be Completed. The SSE board of directors considered the risk that the conditions to completing the merger may not be satisfied, in which case Patterson-UTI would not be required to consummate the merger.

Ability to Respond to Unsolicited Acquisition Proposals; Change of Recommendation. The SSE board of directors considered that the merger agreement permits the Patterson-UTI board of directors, in furtherance of the exercise of its fiduciary duties under Delaware law, to engage in negotiations or discussions with third parties regarding alternative transactions under certain circumstances and that under certain circumstances the Patterson-UTI board of directors has the right to change its recommendation to Patterson-UTI stockholders.

Interests of Directors and Executive Officers. The SSE board of directors considered the potential conflict of interest created by the fact that SSE s executive officers and directors have financial interests in the transactions contemplated by the merger agreement, including the merger, as more fully described in Interests of SSE Directors and Executive Officers in the Merger.

After considering these factors, the SSE board of directors concluded that the positive factors relating to the merger agreement and the transactions contemplated by the merger agreement, including the merger, substantially outweighed the potential negative factors.

The foregoing discussion of the information and factors considered by the SSE board of directors includes the material factors considered by the SSE board of directors but does not necessarily include all of the factors considered by the SSE board of directors. In view of the complexity and variety of factors considered in connection with its evaluation of the merger agreement and the merger, the SSE board of directors did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its determination and recommendation. In addition, individual directors may have given different weights to different factors. The SSE board of directors unanimously resolved to recommend that the stockholders of SSE approve the merger and adopt the merger agreement based upon the totality of information it considered.

The SSE board of directors unanimously approved the merger agreement, the merger and the other transactions contemplated by the merger agreement, and declared the merger agreement, the merger and the other transactions contemplated by the merger agreement (including the merger) to be advisable and fair to and in the best interests of SSE stockholders.

The SSE board of directors unanimously recommends that SSE stockholders vote FOR the proposal to adopt the merger agreement.

Table of Contents

Opinion of SSE s Financial Advisor

Morgan Stanley was retained by SSE to act as its financial advisor in connection with the merger. SSE selected Morgan Stanley to act as its financial advisor based on Morgan Stanley s qualifications, expertise and reputation, as well as its knowledge of and involvement in recent transactions in the oilfield services industry and its knowledge of the business and affairs of SSE. On December 12, 2016, Morgan Stanley rendered its oral opinion, which was subsequently confirmed in writing, to the SSE board of directors to the effect that, as of that date and based upon and subject to the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of review undertaken by Morgan Stanley as set forth in its written opinion, the consideration to be received by the holders of shares of common stock of SSE pursuant to the merger agreement, which will not, in the aggregate, exceed 49,559,000 shares of Patterson-UTI common stock, was fair from a financial point of view to the holders of such shares.

The full text of Morgan Stanley s written opinion to the SSE board of directors, dated December 12, 2016, is attached as Annex D to this joint proxy statement/prospectus and is hereby incorporated into this joint proxy statement/prospectus by reference in its entirety. Holders of shares of SSE common stock should read the opinion in its entirety for a discussion of the assumptions made, procedures followed, matters considered and qualifications and limitations on the review undertaken by Morgan Stanley in rendering its opinion. This summary is qualified in its entirety by reference to the full text of such opinion. Morgan Stanley s opinion was directed to the SSE board of directors and addressed only the fairness from a financial point of view, as of the date of the opinion, to the holders of shares of common stock of SSE of the consideration to be received by such holders pursuant to the merger agreement. Morgan Stanley s opinion did not address any other aspects of the merger and did not and does not constitute a recommendation as to how holders of SSE common stock should vote at the SSE stockholders meeting to be held in connection with the merger.

In arriving at its opinion, Morgan Stanley:

- reviewed certain publicly available financial statements and other business and financial information of SSE and Patterson-UTI;

- reviewed certain internal financial statements and other financial and operating data concerning SSE and Patterson-UTI;

- reviewed certain financial projections prepared by management of each of SSE and Patterson-UTI;

- reviewed information relating to certain strategic, financial and operational benefits anticipated from the merger, prepared by the management of SSE;

- discussed the past and current operations and financial conditions and prospects of SSE, including information relating to certain strategic, financial and operational benefits anticipated from the merger, with senior executives of SSE;

discussed the past and current operations and financial conditions and prospects of Patterson-UTI, with senior executives of Patterson-UTI;

reviewed the pro forma impact of the merger on Patterson-UTI s cash flow, consolidated capitalization and certain financial ratios;

reviewed the reported prices and trading activity for SSE s common stock and Patterson-UTI s common stock;

compared the financial performance of SSE and Patterson-UTI and the prices and trading activity of the Patterson-UTI common stock with that of certain other publicly traded companies comparable with SSE and Patterson-UTI, and their securities;

reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;

Table of Contents

participated in certain discussions and negotiations among representatives of SSE and Patterson-UTI and certain other parties and their respective financial and legal advisors;

reviewed the merger agreement and certain related documents; and

performed such other analyses, reviewed such other information and considered such other factors as Morgan Stanley deemed appropriate.

In arriving at its opinion, Morgan Stanley assumed and relied upon, without independent verification, the accuracy and completeness of the information that was publicly available or supplied or otherwise made available to Morgan Stanley by SSE and Patterson-UTI, and which information formed a substantial basis for its opinion. With respect to the financial projections, including information relating to certain strategic, financial and operational benefits anticipated from the merger, Morgan Stanley assumed that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of management of each of SSE and Patterson-UTI of the future financial performance of SSE and Patterson-UTI. In addition, Morgan Stanley assumed that the merger will be consummated in accordance with the terms set forth in the merger agreement without any waiver, amendment or delay of any material terms or conditions, including, among other things, that the merger will be treated as a tax-free reorganization, pursuant to the Code, and that the merger agreement would not differ in any material respect from the draft thereof furnished to Morgan Stanley. Morgan Stanley assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents required for the merger, no delays, limitations, conditions or restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the merger. Morgan Stanley noted that it is not a legal, tax or regulatory advisor. Morgan Stanley is a financial advisor only and relied upon, without independent verification, the assessment of SSE and Patterson-UTI and their legal, tax, and regulatory advisors with respect to legal, tax or regulatory matters. Morgan Stanley expressed no opinion with respect to the fairness of the amount or nature of the compensation to any of SSE s officers, directors or employees, or any class of such persons, relative to the consideration to be received by the holders of shares of SSE common stock in the merger. Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities of SSE or Patterson-UTI, and was not furnished with any such valuations or appraisals. Morgan Stanley s opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Morgan Stanley as of December 12, 2016. Events occurring after such date may affect Morgan Stanley s opinion and the assumptions used in preparing it, and Morgan Stanley did not assume any obligation to update, revise or reaffirm its opinion.

Morgan Stanley was not involved in negotiating the consideration to be received by the holders of shares of SSE common stock pursuant to the merger agreement. In arriving at its opinion, Morgan Stanley was not authorized to solicit, and did not solicit, interest from any party with respect to the acquisition, business combination or other extraordinary transaction, involving SSE, nor did Morgan Stanley negotiate with any party, other than Patterson-UTI, with respect to the possible acquisition of SSE or certain of its constituent businesses.

Summary of Financial Analyses

The following is a summary of the material financial analyses performed by Morgan Stanley in connection with its oral opinion and the preparation of its written opinion to the SSE board of directors. The following summary is not a complete description of Morgan Stanley s opinion or the financial analyses performed and factors considered by Morgan Stanley in connection with its opinion, nor does the order of analyses described represent the relative importance or weight given to those analyses. Unless stated otherwise, the following quantitative information, to the extent that it is based on market data, is based on market data as of December 8, 2016, and is not necessarily indicative of current market conditions. In performing its financial analyses summarized below and in arriving at its opinion, with the consent of the SSE board of directors, Morgan Stanley used and relied upon the following financial projections: (i) the SSE Management Case A, (ii) the SSE Management Case B, (iii) the Patterson-UTI management case and (iv) certain publicly available Wall Street projections for Patterson-UTI. The SSE Management Case A, SSE Management Case B and the Patterson-UTI management case are more fully described below in the section entitled The Merger Certain Unaudited Prospective Financial Information of Patterson-UTI and SSE. **Some of the financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses used by Morgan Stanley, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. The analyses listed in the tables and described below must be considered as a whole. Assessing any portion of such analyses and of the factors reviewed, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying Morgan Stanley s opinion.**

Comparable Company Analysis

Morgan Stanley performed a comparable company analysis, which attempts to provide an implied value of a company by comparing it to similar companies that are publicly traded. Morgan Stanley reviewed and compared, using publicly available information, certain current and historical financial information for SSE and Patterson-UTI with corresponding current and historical financial information, ratios and public market multiples for publicly traded companies in the oilfield services space that shared certain similar business and operating characteristics to SSE and Patterson-UTI, which comparable companies were categorized by Morgan Stanley as diversified oilfield services companies, pressure pumping companies and land drilling companies.

These companies were chosen based on Morgan Stanley s knowledge of the industry and because they have businesses that may be considered similar to that of SSE and Patterson-UTI. Although none of such companies are identical or directly comparable to SSE or Patterson-UTI, these companies are publicly traded companies with operations and/or other criteria, such as lines of business, markets, business risks, growth prospects, maturity of business and size and scale of business, that for purposes of its analysis, Morgan Stanley considered similar to SSE and Patterson-UTI.

The companies included in the comparable companies analysis were:

Diversified:

- Halliburton Company
- Superior Energy Services, Inc.
- Pioneer Energy Services Corp.

Pressure Pumpers:

- RPC, Inc.
- Calfrac Well Services Ltd.

Mammoth Energy Services, Inc.

<u>Land Drillers</u>:

Nabors Industries Ltd.

Helmerich & Payne, Inc.

Trinidad Drilling Ltd.

Precision Drilling Corporation

Independence Contract Drilling, Inc.

Table of Contents

For purposes of this analysis, Morgan Stanley analyzed the ratio of (i) aggregate value, which Morgan Stanley defined as a fully-diluted market capitalization, plus total debt, plus non-controlling interest, less cash and cash equivalents, less short-term investments, to (ii) (a) estimated Adjusted EBITDA, which, for purposes of this analysis, Morgan Stanley defined as earnings before interest, taxes, depreciation, amortization and certain other non-recurring items, for the calendar years 2017 and 2018, and (b) Through-the-Cycle Adjusted EBITDA, which Morgan Stanley defined as the average annual Adjusted EBITDA for calendar years 2014 through 2020, of SSE and Patterson-UTI, based on the financial projections prepared by management of each of SSE and Patterson-UTI, and each of these comparable companies based on publicly available financial information through consensus equity analyst research estimates as of December 8, 2016.

Comparable Company Multiples

Comparables	Aggregate Value to Estimated 2017 Adjusted EBITDA	Aggregate Value to Estimated 2018 Adjusted EBITDA
Diversified		
Halliburton Company	16.8x	10.2x
Superior Energy Services, Inc.	20.2x	8.0x
Pioneer Energy Services Corp.	16.5x	7.7x
Pressure Pumpers		
RPC, Inc.	33.3x	11.7x
Calfrac Well Services Ltd.	25.1x	7.1x
Mammoth Energy Services, Inc.	10.7x	7.4x
Land Drillers		
Nabors Industries Ltd.	11.4x	8.1x
Helmerich & Payne, Inc.	21.4x	13.3x
Trinidad Drilling Ltd.	10.5x	7.2x
Precision Drilling Corporation	12.6x	7.8x
Independence Contract Drilling, Inc.	16.0x	8.1x

Based on its analysis of the relevant metrics for each of the comparable companies and upon the application of its professional judgment and experience, Morgan Stanley selected representative ranges of Adjusted EBITDA multiples and applied these ranges of multiples to the estimated relevant metric for SSE and Patterson-UTI based on the SSE Management Case A, the SSE Management Case B and the Patterson-UTI management case, as applicable. In assessing the valuation of SSE and Patterson-UTI, Morgan Stanley applied lower Adjusted EBTIDA multiples to SSE than to Patterson-UTI to reflect a combination of factors, including SSE s relatively smaller size and scale, relatively higher leverage and significant customer concentration.

Morgan Stanley calculated the estimated implied equity values of SSE and values per share of SSE common stock as of December 8, 2016 as follows:

Financial Statistic

	Selected Comparable Company Multiple Ranges		Implied Equity Value of SSE ($MM)		Implied Value Per Share of SSE Common Stock ($)	
Aggregate Value to Estimated 2017 Adjusted EBITDA	15.5x	17.5x	1,259	1,468	45.12	52.61
Aggregate Value to Estimated 2018 Adjusted EBITDA	8.0x	9.5x	1,486	1,832	53.25	65.65
Aggregate Value to Through the Cycle Adjusted EBITDA (Management Case A)	4.5x	5.5x	1,009	1,314	36.18	47.07
Aggregate Value to Through the Cycle Adjusted EBITDA (Management Case B)	4.5x	5.5x	842	1,109	30.18	39.75

Table of Contents

Morgan Stanley calculated the estimated implied equity values of Patterson-UTI and values per share of Patterson-UTI common stock as of December 8, 2016 as follows:

Financial Statistic	Selected Comparable Company Multiple Ranges	Implied Equity Value of Patterson-UTI ($MM)	Implied Value Per Share of Patterson-UTI Common Stock ($)
Aggregate Value to Estimated 2017 Adjusted EBITDA	17.0x 20.0x	3,532 4,258	23.54 28.37
Aggregate Value to Estimated 2018 Adjusted EBITDA	9.0x 11.0x	3,687 4,635	24.57 30.88
Aggregate Value to Through the Cycle Adjusted EBITDA	5.0x 7.0x	2,387 3,573	15.91 23.81

Based on the foregoing calculations of the equity values of SSE and Patterson-UTI, Morgan Stanley calculated the implied percentage ownership of SSE stockholders in the combined company as follows:

Financial Statistic	Implied Percentage Ownership of SSE Stockholders (%)
Aggregate Value to Estimated 2017 Adjusted EBITDA	23 29
Aggregate Value to Estimated 2018 Adjusted EBITDA	24 33
Aggregate Value to Through the Cycle Adjusted EBITDA (Management Case A)	22 35
Aggregate Value to Through the Cycle Adjusted EBITDA (Management Case B)	19 32

Morgan Stanley then compared these implied ownership percentages to the approximately 25% aggregate ownership of SSE stockholders in the combined company implied by the consideration to be received by such stockholders.

No company utilized in the comparable company analysis is identical to SSE or Patterson-UTI. In evaluating comparable companies, Morgan Stanley made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of SSE and Patterson-UTI. These include, among other things, comparable company growth, the impact of competition on the respective businesses of SSE and Patterson-UTI and the industry generally, industry growth, and the absence of any adverse material change in the respective financial condition and prospects of SSE and Patterson-UTI or the industry, or in the financial markets in general. Mathematical analysis (such as determining the mean or median) is not in itself a meaningful method of using comparable company data.

Sum of the Parts Analysis

Morgan Stanley performed a sum-of-the-parts analysis with respect to SSE and Patterson-UTI. This valuation methodology is designed to provide an implied public trading value of a company by comparing segments of a company s business to trading levels of other companies engaged in a similar business, and aggregating the implied valuations of each segment.

Morgan Stanley compared certain financial information of SSE with publicly available information for peers that operate in and are exposed to similar lines of business as the following primary lines of SSE s business: (i) drilling,

(ii) pressure pumping and (iii) oilfield rentals.

Morgan Stanley compared certain financial information of Patterson-UTI with publicly available information for peers that operate in and are exposed to similar lines of business as the following primary lines of Patterson-UTI s business: (i) drilling, (ii) pressure pumping and (iii) exploration and production.

With respect to each line of business, Morgan Stanley analyzed, as of December 8, 2016, the ratio of aggregate value to estimated calendar year 2018 Adjusted EBITDA based on publicly available consensus equity analyst research estimates and trading data for peer companies.

Table of Contents

With respect to Patterson-UTI, because segment Adjusted EBITDA was not included in the Patterson-UTI management case, Morgan Stanley calculated Adjusted EBITDA for each line of business based on gross profit provided for each segment and, with selling, general and administrative expenses allocated to each line of business according to the estimated calendar year 2018 revenue.

Based on its professional judgment and experience, Morgan Stanley selected a representative range of 2018 Adjusted EBITDA multiples as described above and applied this range to the estimated calendar year 2018 Adjusted EBITDA for each of SSE s and Patterson-UTI s lines of business derived from, in the case of SSE, the SSE Management Case A and SSE Management Case B and, in the case of Patterson-UTI, the Patterson-UTI management case, to determine an indicative value range by business line. In assessing the valuation of SSE s and Patterson-UTI s lines of business, Morgan Stanley applied lower Adjusted EBTIDA multiples to SSE than to Patterson-UTI to reflect a combination of factors, including SSE s relatively smaller size and scale, relatively higher leverage and significant customer concentration. Morgan Stanley then summed the indicative value ranges for each business line to arrive at indicative value ranges for the respective aggregate values of SSE and Patterson-UTI.

A summary of Morgan Stanley s analysis is below:

SSE

Segment	2018E Adjusted EBITDA ($)	Indicative Adjusted EBITDA Multiple Range	Implied Aggregate Value Range ($)
Drilling	109	9.5x 10.5x	1,031 1,140
Pressure Pumping	104	8.0x 9.0x	831 935
Oilfield Rentals	18	6.0x 7.0x	110 128
Total	231		1,971 2,202

Patterson-UTI

Segment	2018E Adjusted EBITDA ($)	Indicative Adjusted EBITDA Multiple Range	Implied Aggregate Value Range ($)
Drilling	348	10.0x 12.0x	3,477 4,172
Pressure Pumping	110	8.0x 10.0x	883 1,103
Exploration and Production	16	5.0x 7.0x	79 111
Total	474		4,439 5,386

Morgan Stanley then adjusted the total implied aggregate value range for SSE by SSE s net debt and anticipated proceeds from the exercise of Series A warrants to acquire SSE common stock as of September 30, 2016, and divided the resulting implied total equity value ranges by SSE s fully diluted shares outstanding as provided by SSE s management, and adjusted the total implied aggregate value range for Patterson-UTI by Patterson-UTI s estimated net debt as of September 30, 2016 and divided the resulting implied total equity value ranges by Patterson-UTI s fully diluted shares outstanding as provided by Patterson-UTI s management.

	Implied Aggregate Value Range ($)		Implied Total Equity Value Range ($)		Implied Value Per Share Range ($)	
SSE	1,971	2,202	1,612	1,843	57.78	66.04
Patterson-UTI	4,439	5,386	3,861	4,808	25.72	32.04

Based on the foregoing calculations of the equity values of SSE and Patterson-UTI, Morgan Stanley calculated the range of implied percentage ownership of SSE stockholders in the combined company to be 25% to 32%, which Morgan Stanley then compared to the approximately 25% aggregate ownership of SSE stockholders in the combined company implied by the consideration to be received by such stockholders.

Table of Contents

Discounted Cash Flow Analysis

Morgan Stanley performed a discounted cash flow analysis, which is designed to provide an implied value of a company by calculating the present value of the estimated future cash flows and terminal value of that company.

Morgan Stanley calculated a range of implied total equity values of SSE and values per share of SSE common stock based on estimates of future cash flows for fiscal years 2017 through 2020. Morgan Stanley performed this analysis on the estimated future cash flows contained in the SSE Management Case A and SSE Management Case B. Morgan Stanley first calculated the estimated unlevered free cash flows (calculated as tax-affected earnings before interest and taxes, plus depreciation and amortization, less capital expenditures and adjusted for changes in working capital). Morgan Stanley then calculated a range of terminal values for SSE as of January 1, 2021, using two different methods: (i) by applying a range of terminal growth rates of 2.0% to 4.0%, selected based on Morgan Stanley s experience and professional judgment, and (ii) by applying a range of Adjusted EBITDA exit multiples of 5.0x to 6.0x, selected based on Morgan Stanley s experience and professional judgment and the Adjusted EBITDA multiples of comparable companies over the last 10 years to account for various industry cycles. The unlevered free cash flows from fiscal years 2017 through 2020 and the terminal values were then discounted to present values using a discount rate of 11.1% (which Morgan Stanley derived based on SSE s assumed weighted average cost of capital using its experience and professional judgment), to calculate an implied aggregate value for SSE. Morgan Stanley then adjusted the total implied aggregate value ranges by SSE s estimated net debt and anticipated proceeds from the exercise of Series A warrants to acquire SSE common stock as of September 30, 2016 and divided the resulting implied total equity value ranges by SSE s fully diluted shares outstanding as provided by SSE s management.

Based on the above-described analysis, Morgan Stanley derived the following range of implied total equity values of SSE and values per share for SSE common stock as of January 1, 2017:

Forecast Scenario	Implied Aggregate Value Range for SSE ($)	Implied Total Equity Value Range for SSE ($)	Implied Value Per Share Range for SSE ($)
Management Case A			
Case A, Exit Multiple Sensitivity	1,492 1,672	1,133 1,313	40.61 47.05
Case A, Terminal Growth Sensitivity	1,316 1,538	957 1,179	34.30 42.24
Management Case B			
Case B, Exit Multiple Sensitivity	1,195 1,353	836 994	29.95 35.51
Case B, Terminal Growth Sensitivity	960 1,130	601 771	21.53 27.62

Morgan Stanley calculated a range of implied total equity values of Patterson-UTI and values per share of Patterson-UTI common stock based on estimates of future cash flows for fiscal years 2017 through 2020. Morgan Stanley performed this analysis on the estimated future cash flows contained in the Patterson-UTI management case. Morgan Stanley first calculated the estimated unlevered free cash flows in the same manner as described above. Morgan Stanley then calculated a range of terminal values for Patterson-UTI as of January 1, 2021, (i) by applying a range of terminal growth rates of 2.0% to 4.0%, selected based on Morgan Stanley s experience and professional judgment, and (ii) by applying a range of Adjusted EBITDA exit multiples of 6.0x to 7.0x, selected based on Morgan Stanley s experience and professional judgment and the Adjusted EBITDA multiples of comparable companies over the last 10 years to account for various industry cycles. Morgan Stanley applied higher EBTIDA exit multiples to Patterson-UTI than to SSE to reflect a combination of factors, including SSE s relatively smaller size and scale, relatively higher leverage and significant customer concentration. The unlevered free cash flows from fiscal years 2017 through 2020 and the terminal values were then discounted to present values using a discount rate of 11.9% (which Morgan Stanley derived based on Patterson-UTI s assumed weighted average cost of capital using its experience and professional judgment), to calculate an implied aggregate value for Patterson-UTI. Morgan Stanley then adjusted the total implied aggregate value ranges by

Table of Contents

Patterson-UTI s estimated net debt as of September 30, 2016 and divided the resulting implied total equity value ranges by Patterson-UTI s fully diluted shares outstanding as provided by Patterson-UTI s management.

Based on the above-described analysis, Morgan Stanley derived the following range of implied total equity values of Patterson-UTI and values per share for Patterson-UTI common stock as of January 1, 2017:

Forecast Scenario	Implied Aggregate Value Range for Patterson-UTI ($)	Implied Total Equity Value Range for Patterson-UTI ($)	Implied Value Per Share Range for Patterson-UTI ($)
Exit Multiple Sensitivity	2,908 3,246	2,330 2,668	15.52 17.78
Terminal Growth Sensitivity	2,626 3,111	2,048 2,533	13.64 16.88

Based on the foregoing calculations of the equity values of SSE and Patterson-UTI, Morgan Stanley calculated the implied percentage ownership of SSE stockholders in the combined company as follows:

Financial Statistic	Implied Percentage Ownership of SSE Stockholders (%)
SSE Management Case A	
Exit Multiple Sensitivity	30 36
Terminal Growth Sensitivity	27 37
SSE Management Case B	
Exit Multiple Sensitivity	24 30
Terminal Growth Sensitivity	19 27

Morgan Stanley then compared these implied ownership percentages to the approximately 25% aggregate ownership of SSE stockholders in the combined company implied by the consideration to be received by such stockholders.

Precedent Transactions Analysis

Morgan Stanley performed a precedent transactions analysis, which is designed to imply a value of a company based on publicly available financial terms of selected transactions that share some characteristics with the merger.

In connection with its analysis, Morgan Stanley compared publicly available statistics for six transactions with land drilling targets and five transactions with pressure pumping targets with a transaction value of above $100 million since 2006. Morgan Stanley deemed these transactions to be comparable based on transaction size, assets acquired and transaction structure.

For the purposes of the analysis, Morgan Stanley analyzed, among other things, the following statistics: (i) with respect to the land drilling transactions, the ratio of aggregate value to the number of drilling rigs, and (ii) with respect to the pressure pumping transactions, the ratio of aggregate value to hydraulic horsepower.

Table of Contents

The following is a list of the transactions reviewed by Morgan Stanley:

Land Drilling

Year	Acquiror	Target	Deal Level	Transaction Value ($MM)	LTM Adjusted EBITDA Multiple	$MM/ Rig
2011	Ensign Energy Services	Rowan Companies	Asset	540.0	7.2x	18.0
2011	Chesapeake Energy Corporation	Bronco Drilling Company	Corporate	287.9	16.9x	13.1
2008	Precision Drilling Corporation	Grey Wolf Incorporated	Corporate	1,561.9	4.4x	12.9
2008	First Reserve / Schlumberger / Sword Canada	Saxon Energy Services	Corporate	637.2	8.7x	14.8*
2006	Savanna Energy Services	Western Lakota Energy Services	Corporate	611.6	10.1x	15.3
2006	Chesapeake Energy Corporation	Martex Drilling Company	Asset	150.0	N/A	11.5

* Excludes value of workover rigs (assumes $2.0 million per workover rig)

Pressure Pumping

Acquiror	Target	Deal Level	Transaction Value ($MM)	LTM Adjusted EBITDA Multiple	$MM / HHP
Liberty Pressure Pumping	Sanjel Corporation	Asset	150.0	N/A	0.4
Keane Group Holdings	Trican Well Service	Asset	247.0	4.0x	0.4
Patterson-UTI	Platinum Energy Solutions	Asset	143.0*	N/A	1.0*
Calfrac Well Services	Mission Well Services	Corporate	147.0	N/A	0.9
Trican Well Service	Liberty Pressure Pumping	Corporate	255.7	4.0x	2.0

* Industry estimates

Based on the analysis of the relevant metrics for each of the precedent transactions, Morgan Stanley selected a representative range of $12 million to $15 million per drilling rig and $0.8 million to $1.2 million per thousand hydraulic horsepower. With respect to SSE, Morgan Stanley calculated an aggregate value for the oilfield rental segment by applying a 2018 Adjusted EBITDA multiple of 6.0x, which Morgan Stanley selected based on its judgment and experience. Morgan Stanley applied these ranges to SSE s and Patterson-UTI s respective fleets to calculate an implied aggregate value range for each of SSE and Patterson-UTI. Morgan Stanley then adjusted the resulting implied aggregate value ranges for net debt and, in the case of SSE, anticipated proceeds from the exercise of Series A warrants to acquire SSE common stock, as of September 30, 2016, and divided the resulting total equity ranges by SSE s and Patterson-UTI s fully diluted shares outstanding as provided by the managements of SSE and Patterson-UTI, respectively.

Table of Contents

Based on the above-described analysis, Morgan Stanley derived the following range of implied total equity values of SSE and Patterson-UTI and values per share for SSE common stock and Patterson-UTI common stock as of December 8, 2016:

	Implied Total Equity Value Range ($)	Implied Value Per Share Range ($)
SSE	1,340 1,839	48.01 65.89
Patterson-UTI	3,053 4,159	20.35 27.71

Based on the foregoing calculations of the equity values of SSE and Patterson-UTI, Morgan Stanley calculated the range of implied percentage ownership of SSE stockholders in the combined company to be 24% to 38%, which Morgan Stanley then compared to the approximately 25% aggregate ownership of SSE stockholders in the combined company implied by the consideration to be received by such stockholders.

No company or transaction utilized in the precedent transactions analysis is identical to SSE or Patterson-UTI or the merger. In evaluating the precedent transactions, Morgan Stanley made judgments and assumptions with regard to industry performance, general business, market and financial conditions and other matters, many of which are beyond the control of SSE or Patterson-UTI, such as the impact of competition on the business of SSE or Patterson-UTI or the industry generally, industry growth and the absence of any adverse material change in the financial condition of SSE or Patterson-UTI or the industry or in the financial markets in general, which could affect the public trading value of the companies and the aggregate value and equity value of the transactions to which they are being compared.

Reference Data

In addition to conducting the analyses described above, Morgan Stanley reviewed the following data, which was used for reference purposes only and was not used in Morgan Stanley s determination of the fairness, from a financial point of view, of the consideration to be received by the holders of SSE common stock pursuant to the merger agreement.

Table of Contents

Relative Contribution Analysis

Morgan Stanley compared the relative percentage ownership of SSE stockholders and Patterson-UTI stockholders in the combined company to SSE s and Patterson-UTI s respective percentage contribution (and the implied ownership based on such contribution) to the combined company s revenue, Adjusted EBITDA and cash from operations, based on estimates provided by SSE management, in the case of SSE s contribution, and estimates prepared by Patterson-UTI s management, in the case of Patterson-UTI s contribution, as more fully described under the section entitled The Merger Certain Unaudited Prospective Financial Information of Patterson-UTI and SSE. The following table summarizes Morgan Stanley s analysis:

	Contribution Based on Management Projections					Implied Equity Contribution	
Financial Statistic	**SSE ($MM)**	**SSE (%)**	**Patterson-UTI ($MM)**	**Patterson-UTI (%)**	**Combined ($MM)**	**SSE (%)**	**Patterson-UTI (%)**
Revenue						*Leverage Adjusted**	
2015A	1,131	37.4	1,891	62.6	3,023	37	63
2016E	548	37.9	898	62.1	1,446	38	62
2017E	729	35.6	1,321	64.4	2,050	35	65
2018E	1,099	36.6	1,905	63.4	3,005	36	64
Adjusted EBITDA						*Leverage Adjusted**	
2015A	235	28.8	582	71.2	817	27	73
2016E	64	24.7	196	75.3	260	23	77
2017E	104	30.2	242	69.8	346	29	71
2018E	231	32.7	474	67.3	705	32	68
Cash from Operations							
2015A	275	21.6	999	78.4	1,274	22	78
2016E	20	6.7	284	93.3	304	7	93
2017E	58	27.0	158	73.0	216	27	73
2018E	142	27.8	369	72.2	511	28	72

* Adjusted to neutralize the impact of SSE s and Patterson-UTI s respective financial leverage.

Historical Trading Range Analysis

Morgan Stanley reviewed the historical trading range of shares of SSE common stock for the period beginning on August 17, 2016, the day on which shares of SSE common stock began trading following SSE s emergence from bankruptcy, and ending on December 8, 2016 and noted that, during such period, the maximum intraday trading price for shares of SSE common stock was $26.25 and the minimum intraday trading price for shares of SSE common stock was $15.00. Morgan Stanley also noted that the closing trading price for shares of SSE common stock on December 8, 2016, the last day of trading prior to the public announcement of the merger, was $26.00.

Morgan Stanley reviewed the historical trading range of shares of Patterson-UTI common stock for the 52-week period ending December 8, 2016 and noted that, during such period, the maximum intraday trading price for shares of Patterson-UTI common stock was $28.83 and the minimum intraday trading price for shares of Patterson-UTI common stock was $11.49. Morgan Stanley also noted that the closing trading price for shares of Patterson-UTI common stock on December 8, 2016, the last day of trading prior to the public announcement of the merger, was $28.83, and that the closing trading price for shares of Patterson-UTI common stock on November 29, 2016, the last trading day prior to OPEC s announcement that its members had agreed to a production cut, was $22.96.

Table of Contents

Bankruptcy Valuation

Morgan Stanley reviewed the valuation range ascribed to SSE by the Bankruptcy Court upon emergence from bankruptcy of $700 million to $900 million, and calculated a range of implied values per share of SSE common stock of $12.22 to $19.39, based on SSE s capitalization upon emergence from bankruptcy and its fully diluted share count as of September 30, 2016.

Equity Research Analyst Targets

Morgan Stanley reviewed and analyzed one-year public market trading price targets for Patterson-UTI common stock prepared and published by selected equity research analysts during the 45 days prior to December 8, 2016. These forward targets reflected each analyst s estimate of the future public market trading price of Patterson-UTI common stock, and these estimates are subject to uncertainties, including the future financial performance of Patterson-UTI and future financial market conditions.

The range of undiscounted analyst one-year price targets for Patterson-UTI common stock was $14.00 to $34.00 per share as of December 8, 2016. Morgan Stanley then discounted the range of the analysts future share price targets for Patterson-UTI common stock for one year at a rate of 13.0%, which was selected based on Morgan Stanley s estimate of Patterson-UTI s cost of equity. This analysis indicated an implied range of values per share of Patterson-UTI common stock of $12.39 to $30.09.

General

In connection with the review of the merger agreement and the transactions contemplated thereby by the SSE board of directors, Morgan Stanley performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a financial opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. In arriving at its opinion, Morgan Stanley considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor it considered. Morgan Stanley believes that selecting any portion of its analyses, without considering all analyses as a whole, would create an incomplete view of the process underlying its analyses and opinion. In addition, Morgan Stanley may have given various analyses and factors more or less weight than other analyses and factors, and may have deemed various assumptions more or less probable than other assumptions. As a result, the ranges of valuations resulting from any particular analysis described above should not be taken to be Morgan Stanley s view of the actual value of SSE or Patterson-UTI. In performing its analyses, Morgan Stanley made numerous assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of SSE or Patterson-UTI. These include, among other things, the impact of competition on SSE s and Patterson-UTI s businesses and the industry generally, industry growth, and the absence of any adverse material change in the financial condition and prospects of SSE or Patterson-UTI, or the industry, or in the financial markets in general. Any estimates contained in Morgan Stanley s analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates.

Morgan Stanley conducted the analyses described above solely as part of its analysis of the fairness from a financial point of view of the consideration to be received by the holders of shares of SSE common stock pursuant to the merger agreement and in connection with the delivery of its opinion, dated December 12, 2016, to the SSE board of directors. These analyses do not purport to be appraisals or to reflect the prices at which shares of SSE s common stock or Patterson-UTI s common stock might actually trade.

The consideration to be received by the holders of shares of SSE common stock pursuant to the merger agreement was determined through arm s-length negotiations between SSE and Patterson-UTI and was approved by the SSE board of directors. Morgan Stanley did not provide advice to the SSE board of directors during these negotiations of the consideration, recommend any specific consideration to SSE or the SSE board of directors or that any specific consideration constituted the only appropriate consideration for the merger.

Morgan Stanley s opinion and its presentation to the SSE board of directors was one of many factors taken into consideration by the SSE board of directors in deciding to approve, adopt and authorize the merger agreement and the transactions contemplated thereby. Consequently, the analyses as described above should not be viewed as determinative of the opinion of the SSE board of directors with respect to the consideration pursuant to the merger agreement or of whether the SSE board of directors would have been willing to agree to a different merger consideration. Morgan Stanley s opinion was approved by a committee of Morgan Stanley investment banking and other professionals in accordance with Morgan Stanley s customary practice.

The SSE board of directors retained Morgan Stanley based upon Morgan Stanley s qualifications, experience and expertise. Morgan Stanley is a global financial services firm engaged in the securities, investment management and individual wealth management businesses. Its securities business is engaged in securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trading, prime brokerage, as well as providing investment banking, financing and financial advisory services. Morgan Stanley, its affiliates, directors and officers may at any time invest on a principal basis or manage funds that invest, hold long or short positions, finance positions, and may trade or otherwise structure and effect transactions, for their own account or for the accounts of their customers, in debt or equity securities or loans of SSE, Patterson-UTI, or any other company, or any currency or commodity, that may be involved in the merger, or any related derivative instrument.

Under the terms of its engagement letter, Morgan Stanley provided the SSE board of directors with financial advisory services and a financial opinion, described in this section and attached to this joint proxy statement/prospectus as Annex D, in connection with the merger, and SSE has agreed to pay Morgan Stanley an aggregate fee of up to $7 million for its services, $5 million of which is payable upon closing of the merger, and up to $2 million of which is payable upon closing of the merger based on Morgan Stanley s performance at SSE s sole discretion. SSE has also agreed to reimburse Morgan Stanley for its reasonable out-of-pocket expenses, including reasonable fees of outside counsel and other professional advisors, incurred in connection with its engagement. In addition, SSE has agreed to indemnify Morgan Stanley and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates against certain losses, claims, damages, liabilities and expenses, including liabilities under the federal securities laws, relating to or arising out of Morgan Stanley s engagement.

In the two years prior to the date of Morgan Stanley s opinion, Morgan Stanley or its affiliates have provided financial advisory and financing services to SSE, for which Morgan Stanley or its affiliates has received compensation of less than $1 million. Morgan Stanley and its affiliates may also seek to provide financial advisory and financing services to SSE and Patterson-UTI in the future and would expect to receive fees for the rendering of these services.

Certain Unaudited Prospective Financial Information of Patterson-UTI and SSE

Neither Patterson-UTI nor SSE as a matter of course makes public long-term projections as to its future earnings or other results because of, among other reasons, the uncertainty of the underlying assumptions and estimates. However, Patterson-UTI and SSE are including the following summary of certain internal, unaudited prospective financial information from Patterson-UTI management s projections for Patterson-UTI and SSE (described below under Unaudited Prospective Financial Information Prepared by Patterson-UTI) solely because that information was made available to the Patterson-UTI board of directors, Piper Jaffray and, with respect to unaudited prospective financial information for Patterson-UTI, SSE and Morgan Stanley. Similarly, the following summary of the unaudited prospective financial information from SSE management s projections for SSE (described below under Unaudited Prospective Financial Information Prepared by SSE) are included in this joint proxy statement/prospectus solely because that information was made available to the SSE board of directors and Morgan Stanley. Piper Jaffray was authorized by Patterson-UTI to rely upon the Patterson-UTI management projections for Patterson-UTI and SSE described below for purposes of its analysis and opinion.

Table of Contents

Morgan Stanley was authorized by SSE to rely upon the Patterson-UTI management projections for Patterson-UTI and the SSE management projections for SSE described below for purposes of its analyses and opinion. The inclusion of the below information should not be regarded as an indication that any of Patterson-UTI, SSE, Piper Jaffray, Morgan Stanley or any other recipient of this information considered or now considers it to be necessarily predictive of actual future results.

The unaudited prospective financial information prepared by the respective managements of Patterson-UTI and SSE was, in general, prepared solely for Patterson-UTI s and SSE s internal use and is subjective in many respects. As a result, there can be no assurance that the prospective results will be realized or that actual results will not be significantly higher or lower than estimated. Since the unaudited prospective financial information covers multiple years, that information by its nature becomes less predictive with each successive year.

While presented in this joint proxy statement/prospectus with numeric specificity, the information set forth in the summary of Patterson-UTI s and SSE s prospective financial information contained in this joint proxy statement/prospectus was based on numerous variables and assumptions that are inherently uncertain and may be beyond the control of Patterson-UTI s and SSE s management, including, among others, Patterson-UTI s and SSE s future results, oil and gas industry activity, commodity prices, demand for natural gas and oil, North America rig counts, capacity utilization, general economic and regulatory conditions and other matters described in the sections entitled Special Note Regarding Forward-Looking Statements beginning on page 33 of this joint proxy statement/prospectus and Risk Factors beginning on page 35 of this joint proxy statement/prospectus. Both Patterson-UTI and SSE believe the assumptions in the prospective financial information were reasonable at the time the financial information was prepared, given the information both Patterson-UTI and SSE had at the time. However, important factors that may affect actual results and cause the results reflected in Patterson-UTI s and SSE s prospective financial information not to be achieved include, but are not limited to, risks and uncertainties relating to their respective businesses, industry performance, the regulatory environment, general business and economic conditions and other matters described under the section of this joint proxy statement/prospectus titled Risk Factors. See also Special Note Regarding Forward-Looking Statements and Where You Can Find More Information. The prospective financial information also reflects assumptions as to certain business decisions that are subject to change.

The Patterson-UTI and SSE unaudited prospective financial information was prepared by, and is the responsibility of, the management of Patterson-UTI and SSE and was not prepared with a view toward public disclosure, nor was it prepared with a view toward compliance with the published guidelines of the SEC, or the guidelines established by the American Institute of Certified Public Accountants for the preparation and presentation of financial forecasts. PricewaterhouseCoopers LLP is the independent registered public accounting firm for both Patterson-UTI and SSE and is referred to in this joint proxy statement/prospectus as PwC. PwC, or any other independent accountants, has not compiled, examined or performed any procedures with respect to Patterson-UTI s and SSE s prospective financial information contained in this joint proxy statement/prospectus. Furthermore, PwC, or any other independent accountants, has not expressed any opinion or any other form of assurance on that information or its achievability. The PwC report incorporated by reference into this joint proxy statement/prospectus relates to historical financial information for Patterson-UTI, and the PwC report included in this joint proxy statement/prospectus on page F-2 relates to the historical financial information of SSE. Those reports do not extend to Patterson-UTI s and SSE s prospective financial information and should not be read to do so.

Except as required by applicable securities laws, Patterson-UTI and SSE do not intend to make publicly available any update or other revision to the prospective financial information. The prospective financial information for Patterson-UTI and SSE does not take into account any circumstances or events occurring after the date that information was prepared. In particular, the unaudited prospective financial information for the fiscal year ended December 31, 2016 are historical estimates and do not represent actual results of operations. Readers of this joint proxy statement/prospectus are cautioned not to place undue reliance on the unaudited prospective financial information set forth below. None of Patterson-UTI s or SSE s nor any of their respective

107

Table of Contents

affiliates, officers, directors, advisors or other representatives has made or makes any representation to any Patterson-UTI stockholder, SSE stockholder or any other person regarding either Patterson-UTI s or SSE s ultimate performance compared to the information contained in the prospective financial information or that financial and operating results will be achieved. SSE has made no representation to Patterson-UTI, in the merger agreement or otherwise, concerning the SSE prospective financial information. Similarly, Patterson-UTI has made no representation to SSE, in the merger agreement or otherwise, concerning the Patterson-UTI prospective financial information.

Unaudited Prospective Financial Information Prepared by Patterson-UTI

Patterson-UTI Management Projections for Patterson-UTI. The following tables set forth certain summarized prospective financial information regarding Patterson-UTI for 2016 through 2020, which was prepared by Patterson-UTI management.

	2016E	2017E	2018E ($ in millions)	2019E	2020E
Revenue	$ 898	$ 1,321	$ 1,905	$ 2,520	$ 2,907
Adjusted EBITDA(1)	196	242	474	759	897

(1) Adjusted EBITDA is defined as earnings before interest, income taxes, depreciation, depletion, amortization and impairment, non-cash compensation, goodwill impairments, gains and losses on sales of assets and transaction expenses. Adjusted EBITDA is a non-GAAP financial measure, as it excludes amounts, or is subject to adjustments that effectively exclude amounts, included in the most directly comparable measure calculated and presented in accordance with GAAP in financial statements. Adjusted EBITDA was used by management to provide additional information in order to provide them with an alternative method for assessing Patterson-UTI s financial condition and operating results. These measures are not in accordance with, or a substitute for, GAAP, and may be different from or inconsistent with non-GAAP financial measures used by other companies. These measures may also be different from or inconsistent with the definition of Adjusted EBITDA as described in Patterson-UTI s documents previously filed with the SEC.

Patterson-UTI Management Projections for SSE. The following tables set forth certain summarized prospective financial information regarding SSE for 2016 through 2020 prepared by Patterson-UTI management.

	2016E	2017E	2018E ($ in millions)	2019E	2020E
Revenue	$ 544	$ 594	$ 874	$ 1,146	$ 1,362
Adjusted EBITDA(1)	75	76	137	248	321

(1) Adjusted EBITDA is defined as earnings before interest, income taxes, depreciation and amortization, impairments and other, restructuring charges, reorganization items, gains and losses on sale of a business and exit costs, and gains and losses on sales of assets. Adjusted EBITDA is a non-GAAP financial measure, as it excludes amounts, or is subject to adjustments that effectively exclude amounts, included in the most directly comparable measure calculated and presented in accordance with GAAP in financial statements. Adjusted EBITDA was used by management to provide additional information in order to provide them with an alternative method for

assessing SSE s financial condition and operating results. These measures are not in accordance with, or a substitute for, GAAP, and may be different from or inconsistent with non-GAAP financial measures used by other companies. These measures may also be different from or inconsistent with the definition of Adjusted EBITDA as described in SSE s documents previously filed with the SEC.

Table of Contents

Unaudited Prospective Financial Information Prepared by SSE

SSE Management Projections for SSE. The following tables set forth certain summarized prospective production and financial information regarding SSE for 2016 through 2020 which information was prepared by SSE management. SSE management prepared two alternative forecasts for Adjusted EBITDA, referred to as Management Case A and Management Case B. Management Case B reflects a return to SSE s Adjusted EBITDA margin for 2014 in fiscal years 2019 and 2020, whereas Management Case A reflects the same revenue growth as Management Case B but increased Adjusted EBITDA margins in 2019 and 2020.

	2016E	2017E	2018E	2019E	2020E
			($ in millions)		
Revenue	$ 548	$ 729	$ 1,099	$ 1,700	$ 2,161
Adjusted EBITDA(1)					
Management Case A	64	104	231	453	610
Management Case B	64	104	231	353	449

(1) Adjusted EBITDA is defined as adjusted earnings before interest, income taxes, depreciation and amortization, non-cash compensation, impairments, gains and losses on sales of assets and transaction expenses. Adjusted EBITDA is a non-GAAP financial measure, as it excludes amounts, or is subject to adjustments that effectively exclude amounts, included in the most directly comparable measure calculated and presented in accordance with GAAP in financial statements. Adjusted EBITDA was used by management to provide additional information in order to provide them with an alternative method for assessing SSE s financial condition and operating results. These measures are not in accordance with, or a substitute for, GAAP, and may be different from or inconsistent with non-GAAP financial measures used by other companies. These measures may also be different from or inconsistent with the definition of Adjusted EBITDA as described in SSE s documents previously filed with the SEC.

Interests of SSE Directors and Executive Officers in the Merger

In considering the recommendation of the SSE board of directors that the SSE stockholders vote to adopt the merger agreement, SSE s stockholders should be aware that aside from their interests as stockholders of SSE, SSE s directors and executive officers have interests in the merger that may be different from, or in addition to, those of other stockholders of SSE generally. The members of the SSE board of directors were aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending to the stockholders of SSE that the merger agreement be approved. See Background of the Merger and SSE s Reasons for the Merger; Recommendation of the SSE Board of Directors. SSE s stockholders should take these interests into account in deciding whether to vote FOR the approval of the merger agreement. These interests are described in more detail below, and certain of them are quantified in the narrative and the tables below. For the purposes of the plans and agreements described below, to the extent applicable, the completion of the merger will constitute a change of control, change in control or term of similar meaning.

Treatment of SSE Incentive Plan Restricted Stock Unit Awards

Each SSE restricted stock unit award granted prior to December 12, 2016 (the Incentive Awards) that is outstanding as of immediately prior to the effective time will immediately vest and any forfeiture restrictions applicable to such award will immediately lapse. Each Incentive Award will be deemed settled and each share of SSE common stock subject to such Incentive Award will be treated as a share of SSE common stock and receive the merger consideration. None of SSE s directors or executive officers hold SSE restricted stock unit awards granted on or following December 12, 2016.

Quantification of Payments for Incentive Awards.

The following table sets forth, as of January 20, 2017, for each of SSE s directors and executive officers who hold Incentive Awards, the aggregate number of shares of SSE common stock covered by the Incentive

Table of Contents

Awards held by such individuals and the estimated value of shares of Patterson-UTI common stock that each holder may receive in connection with the merger with respect to such SSE awards. Two of SSE s directors, Victor Dahn and Andrew Axelrod, do not hold any unvested Incentive Awards as of the date hereof.

Name	Position	Number of Incentive Award Shares(#)(1)	Value ($)(2)
Jerry Winchester	President and Chief Executive Officer	302,500	14,320,350
Cary Baetz	Chief Financial Officer and Treasurer	181,500	8,592,210
Karl Blanchard	Chief Operating Officer	181,500	8,592,210
James Minmier	President-Nomac Drilling	151,250	7,157,808
William Stanger	President-Performance Technologies	121,000	5,728,140
Edward J. DiPaolo	Director	12,998	615,325
Steven Hinchman	Director	12,998	615,325
David King	Director	12,998	615,325
Douglas J. Wall	Director	12,998	615,325

(1) The number of shares covered by the Incentive Awards held by each individual within the table above is subject to change based upon any vesting or forfeiture event that could occur after January 20, 2017 but prior to the closing of the merger. Under the terms of the merger agreement, SSE is not permitted to make any additional equity awards to SSE s officers after the signing of the merger agreement without Patterson-UTI s prior written consent. Accordingly, SSE does not expect that any additional awards will be granted pursuant to the SSE Incentive Plan prior to the close of the merger.

(2) For purposes of this table, the per share value of the merger consideration was estimated to be equal to $47.34, determined by multiplying an estimated exchange ratio of 1.7725 (calculated assuming that all outstanding Series A warrants of SSE are exercised for cash, no other warrants are exercised, no other shares of SSE are issued prior to closing and certain other assumptions set forth in Example 1 of Annex B of this joint proxy statement/prospectus) by $26.71, the average closing price of Patterson-UTI common stock over the first five business days following the first public announcement of the merger. The actual value of the Patterson-UTI common stock received at the time of the merger will depend upon the price of the Patterson-UTI common stock on the closing date. The value that each current SSE director or executive officer could receive upon a sale or other disposition of any Patterson-UTI common stock to be received in the merger cannot be determined until such a sale or disposition occurs.

Employment Agreements

SSE has entered into employment agreements with each of its executive officers. Although it has not yet been determined whether the SSE named executive officers will continue employment with Patterson-UTI or if they will incur a termination of employment in connection with the merger, for purposes of quantifying the severance benefits that may become payable to each executive officer, the employment of each of the SSE named executive officers will be assumed to be terminated without cause in connection with the merger, triggering certain compensation and benefits to each of those executive officers pursuant to their employment agreements, described below.

Under the terms of each employment agreement, if an executive officer s employment is terminated without cause or the executive officer terminates employment for good reason (including if the executive officer s employment is terminated due to SSE s non-renewal of the employment agreement), then subject to such executive officer s signing and not revoking a separation agreement and release of claims in a form satisfactory to SSE, such executive officer will be entitled to:

Receive an amount, generally paid in substantially equal monthly installments over 12 months, equal to a multiple of such executive officer s (i) annual base salary and (ii) the greater of the actual bonus paid to the executive officer for the year prior to the termination or the target bonus for the year of the termination, with the multiple for all executive officers being 2.0x, but 2.99x for Mr. Winchester if a

110

termination without cause or resignation with good reason occurs within the 6 months prior to or 24 months following a change in control (in which case, the difference between the amounts derived from the 2.99 multiple and the 2.0 multiple shall be paid to Mr. Winchester in a lump sum within 30 days following the change in control);

Subject to a timely election of Consolidated Omnibus Budget Reconciliation Act (COBRA) continuation coverage, reimbursement for the amount of COBRA continuation premiums until the earliest of (i) 18 months following the date of termination, (ii) such time as such executive officer is no longer eligible for COBRA continuation coverage, or (iii) the date on which the executive officer becomes eligible to receive substantially similar coverage from another employer;

The vesting of any supplemental matching contributions pursuant to SSE s deferred compensation plan; and

Outplacement counseling services for 12 months following the qualifying termination, subject to a maximum value of $25,000, except for Mr. Winchester, whose employment agreement does not provide for such benefit if his qualifying termination occurs within the 6 months prior to or 24 months following a change in control.

In the event that the SSE board of directors determines that payments to be made to an executive officer would constitute excess parachute payments subject to excise taxes under Section 4999 of the Code, then the amount of those payments must either (i) be reduced so that the total compensation received by the executive officer in connection with the transaction is $1.00 less than the amount that would cause the officer to incur such excise tax or (ii) paid in full, whichever results in the better net after tax position for the executive officer. In no event is SSE required to provide tax gross-up payments to any executive officer.

Each executive officer is subject to restrictions on competition and soliciting SSE employees and customers for 24 months following the executive officer s termination of employment.

The amounts set forth below reflect the estimate of the compensation and benefits that the current SSE executive officers would be entitled to receive pursuant to their employment agreements in connection with a termination without cause or resignation for good reason in connection with the merger.

Name	**Potential Cash Severance ($)(1)**	**Estimated COBRA costs ($)(2)**	**Maximum Outplacement Services ($)(3)**	**Total ($)**
Jerry Winchester	7,071,504	23,418		7,094,922
Cary Baetz	2,524,493	22,600	25,000	2,572,093
Karl Blanchard	3,188,833	20,029	25,000	3,233,862
James Minmier	2,391,626	20,999	25,000	2,437,625
William Stanger	2,125,889	12,238	25,000	2,163,127

(1) Potential cash severance amounts are based on each executive officer s base salary as of January 20, 2017, the latest practicable date prior to this filing, and the annual bonus each executive officer received for services

performed in 2016.

(2) Estimated COBRA costs are based upon the costs of SSE s benefit plans as of January 20, 2017, the latest practicable date prior to this filing.

(3) Amounts shown in this table are the maximum amounts that could become payable under the employment agreements, but amounts actually paid to each executive officer could be less.

Deferred Compensation Plan

At the effective time, pursuant to the terms of SSE s deferred compensation plan, all unvested SSE contributions to individual accounts will vest. The estimated value of the unvested SSE contributions in each

Table of Contents

executive officer s deferred compensation account as of January 20, 2017, the latest practicable date prior to the date of this filing, is set forth in the table below. In addition, if a participant in SSE s deferred compensation plan terminates employment for any reason during the 24 months following the merger, the participant will receive a single lump sum payment equal to the unpaid balance of his or her account under SSE s deferred compensation plan.

Name	Unvested SSE Contributions to the Deferred Compensation Plan ($)
Jerry Winchester	351,016
Cary Baetz	46,106
Karl Blanchard	32,847
James Minmier	57,079
William Stanger	101,671

Indemnification and Insurance

The merger agreement provides that, for a period of six years from the effective time, Patterson-UTI shall cause SSE, as the surviving corporation, to indemnify and hold harmless, to the fullest extent permitted by applicable legal requirements, each present and former director, officer and employee of SSE or any of its subsidiaries and each person who served as a director, officer, member, trustee or fiduciary of another corporation, partnership, joint venture, trust, pension or other employee benefit plan or enterprise if such service was at the request of SSE or any of its subsidiaries against any costs or expenses, including attorneys fees (including the advancement of such costs and expenses), judgments, fines, losses, claims, damages, liabilities or settlements incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or related to such person s service as a director, officer or employee of SSE or its subsidiaries or services performed by such person at the request of SSE or its subsidiaries at or prior to the effective time. For additional information see The Merger Agreement Indemnification and Insurance beginning on page 138.

Quantification of Payments and Benefits to SSE s Named Executive Officers

Item 402(t) of Regulation S-K requires disclosure of compensation arrangements or understandings with SSE s named executive officers that are based on or otherwise relate to the merger, whether present, deferred or contingent. The individuals disclosed within this section are SSE s current principal executive officer, current principal financial officer, and three most highly compensated executive officers other than the principal executive officer and principal financial officer for SSE s most recently completed fiscal year.

The table set forth below details the amount of payments and benefits that each of SSE s named executive officers could potentially receive in connection with the merger under the SSE Incentive Plan and applicable employment agreements. These payments consist of the payments described above and are not in addition to those described in previous sections. These payments are specifically identified in this fashion to allow for a non-binding advisory vote of SSE s stockholders regarding these payments and benefits. The amounts in the table below were calculated using the following assumptions: (i) the consummation of the merger occurs on January 20, 2017, (ii) the per share value of the merger consideration is estimated to be equal to $47.34, determined by multiplying an estimated exchange ratio of 1.7725 (calculated assuming that all outstanding Series A warrants of SSE are exercised for cash, no other warrants are exercised, no other shares of SSE are issued prior to closing and certain other assumptions set forth in Example 1 of Annex B of this joint proxy statement/prospectus) by $26.71, the average closing price of the Patterson-UTI common stock over the first five trading days following the first public announcement of the transaction, (iii) although it has not yet been determined whether the named executive officers will continue employment with Patterson-UTI or if they will incur a termination of employment in connection with the merger, the employment of each of the named executive officers will be assumed to be terminated without cause immediately following the completion of the merger,

Table of Contents

(iv) each named executive officer utilizes perquisites to the fullest extent available, and (v) with respect to any agreements that require the executive officer to execute a release agreement or to comply with restrictive covenants, the executive officer has properly executed that document or complied with all requirements necessary in order to receive the benefits noted below. Some of the assumptions used in the table below are based upon information not currently available and, as a result, the actual amounts to be received by any of the individuals below may differ from the amounts set forth below.

Name	Cash ($)(1)	Equity ($)(2)	Pension/ NQDC(3)	Perquisites/ Benefits ($)(4)	Total
Jerry Winchester	7,071,504	14,320,350	351,016	23,418	21,766,288
Cary Baetz	2,524,493	8,592,210	46,106	47,600	11,210,409
Karl Blanchard	3,188,833	8,592,210	32,847	45,029	11,858,919
James Minmier	2,391,626	7,157,808	57,079	45,999	9,652,512
William Stanger	2,125,889	5,728,140	101,671	37,238	7,992,938

(1) Amounts are based on each executive officer s base salary as of January 20, 2017, the latest practicable date prior to this filing and the annual bonus each executive officer received for services performed in 2016, and are calculated in accordance with each executive officer s employment agreement as described above. These amounts are considered double-trigger payments, meaning that they would become payable only in connection with a termination in connection with the merger. Subject to SSE s receipt of an executed separation agreement and release of claims, the monthly payments would begin on the sixtieth day following the executive officer s termination unless, at the time of the termination, the executive officer is considered to be a specified employee under Section 409A of the Code and would be subject to a required six-month delay for any payments that are considered to be deferred compensation payments pursuant to Section 409A of the Code. For additional information regarding these payments, please see Interests of SSE Directors and Executive Officers in the Merger Employment Agreements beginning on page 110.

(2) The estimated equity values included in this column would be considered single-trigger pursuant to the terms of the Incentive Awards, which will become accelerated and settled upon the occurrence of the merger, without regard to whether the executive officer also incurs a termination of employment. The number of shares covered by the Incentive Awards held by each individual used to calculate the estimates in the table above is subject to change based upon any vesting or forfeiture event that could occur after January 20, 2017 but prior to the closing of the merger. For additional information regarding this benefit, please see Interests of SSE Directors and Executive Officers in the Merger Treatment of SSE Incentive Plan Restricted Stock Unit Awards beginning on page 109.

(3) The estimated values included in this column reflect the unvested SSE contributions in each executive officer s deferred compensation account as of January 20, 2017, the latest practicable date prior to the date of this filing. The estimated value of vesting of unvested deferred compensation contributions set forth in the table above is subject to change based upon any vesting or forfeiture event that could occur after January 20, 2017 but prior to the closing of the merger. The estimated values in this column would be considered single-trigger and would vest upon the occurrence of the merger without regard to whether the executive officer also incurs a termination of employment.

(4) The estimated costs in this column reflect a combination of the maximum outplacement services ($25,000 per executive officer) and the estimated maximum continued COBRA costs that could be provided pursuant to employment agreements in the event that the executive officer is terminated without cause or terminates for good reason. As noted above, the cost of outplacement services will in no event exceed $25,000 per executive officer,

but could be lower and the COBRA amounts could continue for a maximum period of 18 months, although the duration of the COBRA payments could be shorter, in which case the amounts actually paid could also be lower than costs shown in the table above. The estimated payments reflected in this column would be considered double-trigger payments, meaning that they would become payable only in connection with a termination in connection with the merger. For additional information regarding these benefits, please see Interests of SSE Directors and Executive Officers in the Merger Employment Agreements beginning on page 110.

Table of Contents

Board of Directors and Executive Management Following the Merger

Following the completion of the merger, it is anticipated that the Patterson-UTI board of directors will have seven members, consisting of the seven individuals currently serving on the Patterson-UTI board of directors as of the date of this joint proxy statement/prospectus.

Following the completion of the merger, it is anticipated that each of the Patterson-UTI executive officers will continue to serve in their current positions and under the same compensation plans and arrangements that were in place prior to the merger:

Mark S. Siegel	Executive Chairman
William Andrew Hendricks, Jr.	President and Chief Executive Officer
John E. Vollmer III	Senior Vice President Corporate Development, Chief Financial Officer and Treasurer
Kenneth N. Berns	Senior Vice President
Seth D. Wexler	General Counsel and Secretary
James M. Holcomb	President Patterson-UTI Drilling Company LLC

Regulatory Clearances Required for the Merger

Consummation of the merger is subject to the expiration or termination of any applicable waiting period under the HSR Act). On January 3, 2017, Patterson-UTI and SSE filed Notification and Report Forms with the Antitrust Division of the Department of Justice and the Federal Trade Commission, which is referred to as the FTC. On January 13, 2017, Patterson-UTI and SSE were notified by the FTC that the early termination of the waiting period under the HSR Act had been granted.

At any time before or after the effective time, the U.S. antitrust authorities could take action under the antitrust laws, including seeking to prevent the merger, to rescind the merger or to conditionally approve the merger upon the divestiture of assets of Patterson-UTI or SSE or subject to other remedies. In addition, U.S. state attorneys general could take action under the antitrust laws as they deem necessary or desirable in the public interest including without limitation seeking to enjoin the completion of the merger or permitting completion subject to regulatory concessions or conditions. Private parties may also seek to take legal action under the antitrust laws under some circumstances. There can be no assurance that a challenge to the merger on antitrust grounds will not be made or, if such a challenge is made, that it would not be successful.

Pursuant to the terms of the merger agreement, Patterson-UTI and SSE have agreed to cooperate fully with one another, and use reasonable best efforts to take, or cause to be taken, all actions necessary to consummate the merger and the other transactions contemplated by the merger agreement, including:

- making all filings (if any) and giving all notices (if any) required to be made and given by such party in connection with the merger or the other transactions contemplated by the merger agreement;

- using reasonable best efforts to obtain each approval, consent, authorization or waiver (if any) required to be obtained by such party in connection with the merger or any other transactions contemplated by the merger agreement; and

using reasonable best efforts to oppose or to lift, as the case may be, any restraint, injunction or other legal bar to the merger.

However, notwithstanding the foregoing, unless immaterial relative to SSE and its subsidiaries taken as a whole, Patterson-UTI does not have any obligation under the merger agreement to (and SSE shall not, unless requested to do so by Patterson-UTI): (i) dispose of, transfer, or hold separate, or cause any of its subsidiaries to dispose of, transfer, or hold separate any assets or operations, or commit or cause SSE or any of its subsidiaries to dispose of, transfer, or hold separate any assets; (ii) discontinue or cause any of its subsidiaries to discontinue offering any product or service, or commit to cause SSE or any of its subsidiaries to discontinue offering any product or service or (iii) make or cause any of its subsidiaries to make any commitment (to any governmental body or otherwise) regarding its future operations or the future operations of SSE or any of its subsidiaries.

Treatment of SSE Incentive Plan Restricted Stock Unit Awards

Each SSE restricted stock unit award granted prior to December 12, 2016 that is outstanding as of the effective time will fully vest immediately prior to the closing of the merger and be treated as shares of SSE common stock and receive the merger consideration in respect of each share of SSE common stock subject to the award. In addition, at the effective time, each SSE restricted stock unit award granted on or following December 12, 2016 will be assumed by Patterson-UTI and converted into a restricted stock unit award, with the same terms and conditions as in effect immediately prior to the effective time, covering a number of shares of Patterson-UTI common stock equal to (i) the number of shares of SSE common stock subject to the award immediately prior to the effective time, multiplied by (ii) the exchange ratio, rounded to the nearest whole share.

Treatment of Patterson-UTI and SSE Credit Agreements

Patterson-UTI currently maintains a senior unsecured credit facility, as amended, with Wells Fargo Bank, N.A., as administrative agent, and the other lenders and financial institutions party thereto (the Patterson-UTI revolving credit facility), which has a maturity date of September 27, 2017. The Patterson-UTI revolving credit facility permits aggregate borrowings of up to $500 million outstanding at any time, subject to a borrowing base calculated by reference to Patterson-UTI s and certain of its subsidiaries eligible equipment, inventory, account receivable and unencumbered cash. The Patterson-UTI revolving credit facility contains a letter of credit facility that is limited to $50 million and a swing line facility that is limited to $20 million, in each case outstanding at any time. Subject to customary conditions, Patterson-UTI may request that the lenders aggregate commitments with respect to the Patterson-UTI revolving credit facility be increased by up to $100 million, not to exceed total commitments of $600 million. The maturity date under the Patterson-UTI revolving credit facility is September 27, 2017; however, an amendment entered into on July 8, 2016 extended the maturity date of $357.9 million in revolving credit commitments of certain lenders to March 27, 2019. As of December 31, 2016, Patterson-UTI had nothing drawn under its credit facility, with available borrowing capacity of $500 million.

Loans under the Patterson-UTI revolving credit facility bear interest by reference, at Patterson-UTI s election, to the LIBOR rate or base rate, provided, that swing line loans bear interest by reference only to the base rate. Until September 27, 2017, the applicable margin on LIBOR rate loans varies from 2.75% to 3.25% and the applicable margin on base rate loans varies from 1.75% to 2.25%, in each case determined based upon Patterson-UTI s debt to capitalization ratio. Beginning September 27, 2017, the applicable margin on LIBOR rate loans varies from 3.25% to 3.75% and the applicable margin on base rate loans varies from 2.25% to 2.75%, in each case determined based on Patterson-UTI s excess availability under the Patterson-UTI revolving credit facility. As of September 30, 2016 the applicable margin on LIBOR rate loans was 2.75% and the applicable margin on base rate loans was 1.75%. Based on Patterson-UTI s debt to capitalization ratio at June 30, 2016, the applicable margin on LIBOR loans is 2.75% and the applicable margin on base rate loans is 1.75% as of October 1, 2016. Based on Patterson-UTI s debt to capitalization ratio at September 30, 2016, the applicable margin on LIBOR loans will be 2.75% and the applicable margin on base rate loans will be 1.75% as of January 1, 2017. A letter of credit fee is payable by Patterson-UTI equal to the applicable margin for LIBOR rate loans times the daily amount available to be drawn under outstanding letters of credit. The commitment fee rate payable to the lenders for the unused portion of the Patterson-UTI revolving credit facility is 0.50%.

SSE currently maintains a senior secured credit facility with Wells Fargo Bank, N.A., as administrative agent, and the other lenders and financial institutions party thereto (the SSE credit facility) with total commitments of $100.0

million. In June 2014, SSE entered into a $400.0 million seven-year term loan credit agreement (the term loan) and on May 13, 2015, SSE entered into a $100 million incremental term supplement to the term loan (the incremental term loan). Patterson-UTI anticipates that, at or immediately following the effective time, the SSE credit facility, the term loan and the incremental term loan will each be terminated and any indebtedness outstanding thereunder will be repaid. As of January 20, 2017, SSE had outstanding borrowings under the term loan in a principal amount of $390 million and outstanding borrowings under the incremental term loan in a principal amount of $83.25 million and no outstanding borrowings under the SSE credit facility.

The prepayment of indebtedness under the SSE credit facility and term loan may be made without premium or penalty, subject to customary breakage costs. Voluntary prepayments of the incremental term loan made on or prior to the 42-month anniversary of the incremental term loan are ordinarily subject to a prepayment premium equal to (i) a make-whole premium determined pursuant to a formula set forth in the incremental term loan if made on or prior to the 18-month anniversary of the incremental term loan, (ii) 5.00% of such principal amount if made after the 18-month anniversary and on or prior to the 30-month anniversary of the incremental term loan, or (iii) 3.00% of such principal amount if made after the 30-month anniversary and on or prior to the 42-month anniversary of the incremental term loan. However, on August 1, 2016, SSE entered into a waiver in respect of the incremental term loan whereby the incremental term lenders agreed to waive their right to any prepayment premium that may be payable in respect of the incremental term loan (other than in connection with a pre-maturity acceleration of the incremental term loan) for a period of eighteen months following August 1, 2016. Patterson-UTI currently plans to fund the repayment of the indebtedness under the SSE credit facility, term loan and incremental term loan with proceeds obtained through the issuance of Patterson-UTI common stock and, if required, borrowings under the Patterson-UTI revolving credit facility.

Dividend Policies

Patterson-UTI currently issues a quarterly dividend. Any future decisions to pay dividends on Patterson-UTI common stock will be at the discretion of the Patterson-UTI board of directors and will depend on the business conditions, results of operations, financial condition, terms of its debt agreements and other factors that the Patterson-UTI board of directors may deem relevant. The merger agreement prohibits Patterson-UTI (unless consented to in advance by SSE, which consent may not be unreasonably withheld, delayed or conditioned) from paying dividends to holders of Patterson-UTI common stock in excess of $0.02 per share per quarter until the earlier of the effective time and the termination of the merger agreement in accordance with its terms.

Since its spin-off, SSE has not declared any dividends and does not anticipate declaring or providing any cash dividends to holders of SSE common stock in the foreseeable future. The merger agreement prohibits SSE (unless consented to in advance by Patterson-UTI, which consent may not be unreasonably withheld, delayed or conditioned) from paying dividends to holders of SSE common stock until the earlier of the effective time and the termination of the merger agreement in accordance with its terms.

Listing of Patterson-UTI Common Stock

It is a condition to the completion of the merger that the shares of Patterson-UTI common stock to be issued to SSE stockholders pursuant to the merger and such other shares of Patterson-UTI common stock to be reserved for issuance in connection with the merger be authorized for listing to be traded on the NASDAQ, subject to official notice of issuance.

Halting of Trading of SSE Common Stock

Upon completion of the merger, the SSE common stock currently traded on the OTC Grey will cease to be traded on the OTC Grey.

Appraisal Rights

Patterson-UTI

The holders of Patterson-UTI common stock are not entitled to appraisal rights in connection with the merger under Delaware law.

Table of Contents

SSE

Under Delaware law, SSE stockholders have the right to dissent from the merger and to receive payment in cash for the fair value of their shares of SSE common stock as determined by the Delaware Court of Chancery, together with interest, if any, as determined by the court, in lieu of the consideration SSE stockholders would otherwise be entitled to pursuant to the merger agreement. These rights are known as appraisal rights. SSE stockholders electing to exercise appraisal rights must comply with the provisions of Section 262 of the DGCL in order to perfect their rights. Strict compliance with the statutory procedures is required to perfect appraisal rights under Delaware law.

The following is intended as a brief summary of the material provisions of the Delaware statutory procedures required to be followed by a SSE stockholder in order to dissent from the merger and perfect appraisal rights. This summary, however, is not a complete statement of all applicable requirements and is qualified in its entirety by reference to Section 262 of the DGCL, the full text of which appears in Annex E to this joint proxy statement/prospectus. Failure to precisely follow any of the statutory procedures set forth in Section 262 of the DGCL may result in a termination or waiver of appraisal rights. All references in this summary to a stockholder are to the record holder of shares of SSE common stock unless otherwise indicated.

Section 262 requires that stockholders for whom appraisal rights are available be notified not less than 20 days before the stockholders meeting to vote on the merger that appraisal rights will be available. A copy of Section 262 must be included with such notice. This joint proxy statement/prospectus constitutes notice to SSE stockholders of the availability of appraisal rights in connection with the merger in compliance with the requirements of Section 262. If a SSE stockholder wishes to consider exercising appraisal rights, such stockholder should carefully review the text of Section 262 contained in Annex E to this joint proxy statement/prospectus because failure to timely and properly comply with the requirements of Section 262 will result in the loss of appraisal rights under Delaware law.

If you are a record holder of shares of SSE common stock and wish to elect to demand appraisal of your shares, you must satisfy each of the following conditions:

You must deliver to SSE a written demand for appraisal of your shares before the vote with respect to the merger is taken. This written demand for appraisal must be in addition to and separate from any proxy or vote abstaining from or voting against the adoption and approval of the merger agreement and the merger. Voting against or failing to vote for the adoption and approval of the merger agreement and the merger by itself does not constitute a demand for appraisal within the meaning of Section 262.

You must not vote in favor of, or consent in writing to, the adoption and approval of the merger agreement and the merger. A vote in favor of the adoption and approval of the merger agreement and merger, by proxy or in person, will constitute a waiver of your appraisal rights in respect of the shares so voted and will nullify any previously filed written demands for appraisal. A proxy which does not contain voting instructions will, unless revoked, be voted in favor of the adoption and approval of the merger agreement and the merger. Therefore, a SSE stockholder who votes by proxy and who wishes to exercise appraisal rights must vote against the merger agreement and the merger or abstain from voting on the merger agreement and the merger.

You must continue to hold your shares of SSE common stock through the effective date of the merger. Therefore, a stockholder who is the record holder of shares of SSE common stock on the date the written demand for appraisal is made but who thereafter transfers the shares prior to the effective date of the merger will lose any right to appraisal with respect to such shares.

If you fail to comply with any of these conditions and the merger is completed, you will be entitled to receive the merger consideration, but you will have no appraisal rights with respect to your shares of SSE common stock.

Table of Contents

All demands for appraisal should be addressed to Seventy Seven Energy Inc., 777 N.W. 63rd Street Oklahoma City, Oklahoma 73116, Attention: Corporate Secretary, and must be delivered before the vote on the merger agreement is taken at the special meeting of SSE stockholders and should be executed by, or on behalf of, the record holder of the shares of SSE common stock. The demand must reasonably inform SSE of the identity of the stockholder and the intention of the stockholder to demand appraisal of his, her or its shares.

To be effective, a demand for appraisal by a holder of common stock must be made by, or in the name of, such registered stockholder, fully and correctly, as the stockholder s name appears on his, her or its stock certificate(s). Beneficial owners who do not also hold the shares of record may not directly make appraisal demands to SSE. The beneficial holder must, in such cases, have the registered owner, such as a broker, bank or other nominee, submit the required demand in respect of those shares. If shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of a demand for appraisal should be made by or for the fiduciary; and if the shares are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or for all joint owners. An authorized agent, including an authorized agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record; however, the agent must identify the record owner or owners and expressly disclose the fact that, in executing the demand, he or she is acting as agent for the record owner. A record owner, such as a broker, who holds shares as a nominee for others, may exercise his or her right of appraisal with respect to the shares held for one or more beneficial owners, while not exercising this right for other beneficial owners. In that case, the written demand should state the number of shares as to which appraisal is sought. Where no number of shares is expressly mentioned, the demand will be presumed to cover all shares held in the name of the record owner.

If a SSE stockholder holds shares of common stock in a brokerage account or in other nominee form and wishes to exercise appraisal rights, such stockholder should consult with his, her or its broker or the other nominee to determine the appropriate procedures for the making of a demand for appraisal by the nominee.

Within ten days after the effective time, SSE, as the surviving corporation, must give written notice that the merger has become effective to each former SSE stockholder who has properly filed a written demand for appraisal and who did not vote in favor of the merger agreement and the merger. Within 120 days after the effective date of the merger, any stockholder who has complied with Section 262 will, upon written request to SSE as the surviving corporation, be entitled to receive a written statement setting forth the aggregate number of shares not voted in favor of the merger agreement and the merger and with respect to which demands for appraisal rights have been received and the aggregate number of holders of such shares. A person who is the beneficial owner of shares of common stock held in a voting trust or by a nominee on behalf of such person may, in such person s own name, request from the surviving corporation the statement described in the previous sentence. Such written statement will be mailed to the requesting SSE stockholder within ten days after such written request is received by the surviving corporation or within ten days after expiration of the period for delivery of demands for appraisal, whichever is later. Within 120 days after the effective date of the merger, either the surviving corporation or any SSE stockholder who has complied with the requirements of Section 262 and who is otherwise entitled to appraisal rights may file a petition in the Delaware Court of Chancery demanding a determination of the fair value of the shares held by all SSE stockholders entitled to appraisal. A person who is the beneficial owner of shares of SSE common stock held in a voting trust or by a nominee on behalf of such person may, in such person s own name, file the petition described in the previous sentence. Upon the filing of the petition by a SSE stockholder, service of a copy of such petition shall be made upon SSE, as the surviving corporation. The surviving corporation has no obligation to file such a petition in the event there are dissenting SSE stockholders. Accordingly, the failure of a SSE stockholder to file such a petition within the period specified could nullify the SSE stockholder s previously written demand for appraisal. There is no present intent on the part of SSE to file an appraisal petition, and SSE stockholders seeking to exercise appraisal rights should not assume that SSE will file such a petition or that SSE will initiate any negotiations with respect to the fair value of such shares.

Accordingly, SSE stockholders who desire to have their shares appraised should initiate any petitions necessary for the perfection of their appraisal rights within the time periods and in the manner prescribed in Section 262. There is no present intent on the part of SSE to file an appraisal petition, and SSE stockholders seeking to exercise appraisal rights should not assume that SSE will file such a petition or that it will initiate any negotiations with respect to the fair value of such shares. Accordingly, SSE stockholders who desire to have their shares appraised should initiate any petitions necessary for the perfection of their appraisal rights within the time periods and in the manner prescribed in Section 262 of the DGCL.

If a petition for appraisal is duly filed by a SSE stockholder and a copy of the petition is delivered to the surviving corporation, the surviving corporation will then be obligated, within 20 days after receiving service of a copy of the petition, to provide the Delaware Court of Chancery with a duly verified list containing the names and addresses of all SSE stockholders who have demanded an appraisal of their shares and with whom agreements as to the value of their shares have not been reached by the surviving corporation. After notice to dissenting stockholders who demanded appraisal of their shares, the Delaware Court of Chancery is empowered to conduct a hearing upon the petition, and to determine those SSE stockholders who have complied with Section 262 and who have become entitled to the appraisal rights provided thereby. The Delaware Court of Chancery may require the SSE stockholders who have demanded appraisal for their shares to submit their stock certificates to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any SSE stockholder fails to comply with that direction, the Delaware Court of Chancery may dismiss the proceedings as to that stockholder.

After determination of the SSE stockholders entitled to appraisal of their shares of common stock, the Delaware Court of Chancery will appraise the shares, determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the merger, together with interest, if any. Unless the Delaware Court of Chancery in its discretion determines otherwise for good cause shown, interest from the effective date of the merger through the date of payment of the judgment shall be compounded quarterly and shall accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the merger and the date of payment of the judgment. Notwithstanding the foregoing, at any time before the entry of judgment in the proceedings, SSE may pay to each stockholder entitled to appraisal an amount in cash, in which case interest shall accrue thereafter as provided herein only upon the sum of (i) the difference, if any, between the amount so paid and the fair value of the shares as determined by the Delaware Court of Chancery, and (ii) interest theretofore accrued, unless paid at that time. When the value is determined, the Delaware Court of Chancery will direct the payment of such value, with interest thereon accrued during the pendency of the proceeding, if the Delaware Court of Chancery so determines, to the SSE stockholders entitled to receive the same, upon surrender by such holders of the certificates representing those shares.

In determining fair value, and, if applicable, interest, the Delaware Court of Chancery is required to take into account all relevant factors. In *Weinberger v. UOP, Inc.*, the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court should be considered, and that fair price obviously requires consideration of all relevant factors involving the value of a company.

Section 262 provides that fair value is to be exclusive of any element of value arising from the accomplishment or expectation of the merger. In *Cede & Co. v. Technicolor, Inc.*, the Delaware Supreme Court stated that such exclusion is a narrow exclusion [that] does not encompass known elements of value, but which rather applies only to the speculative elements of value arising from such accomplishment or expectation. In *Weinberger*, the Delaware Supreme Court construed Section 262 to mean that elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered.

Table of Contents

SSE stockholders should be aware that the fair value of shares of SSE common stock as determined under Section 262 could be more than, the same as, or less than the value that such SSE stockholder is entitled to receive under the terms of the merger agreement.

Costs of the appraisal proceeding may be imposed upon the surviving corporation and the SSE stockholders participating in the appraisal proceeding by the Delaware Court of Chancery as the Court deems equitable in the circumstances. Upon the application of a SSE stockholder, the Delaware Court of Chancery may order all or a portion of the expenses incurred by any SSE stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys fees and the fees and expenses of experts, to be charged pro rata against the value of all shares entitled to appraisal. Any SSE stockholder who had demanded appraisal rights will not, after the effective time, be entitled to vote shares subject to that demand for any purpose or to receive payments of dividends or any other distribution with respect to those shares, other than with respect to payment as of a record date prior to the effective time; *however*, if no petition for appraisal is filed within 120 days after the effective time, or if the SSE stockholder delivers a written withdrawal of such stockholder s demand for appraisal and an acceptance of the terms of the merger within 60 days after the effective time, then the right of that SSE stockholder to appraisal will cease and that SSE stockholder will be entitled to receive an amount of shares of Patterson-UTI common stock equal to the exchange ratio for his, her or its shares of SSE common stock pursuant to the merger agreement. No appraisal proceeding in the Delaware Court of Chancery will be dismissed as to any SSE stockholder without the prior approval of the Court, and such approval may be conditioned upon such terms as the Delaware Court of Chancery deems just; provided, however, that any SSE stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party will maintain the right to withdraw its demand for appraisal and to accept the merger consideration that such holder would have received pursuant to the merger agreement within 60 days after the effective date of the merger.

In view of the complexity of Section 262 of the DGCL, SSE stockholders who may wish to dissent from the merger and pursue appraisal rights should consult their legal advisors.

THE MERGER AGREEMENT

The following section summarizes material provisions of the merger agreement, which is included in this joint proxy statement/prospectus as Annex A and is incorporated herein by reference in its entirety. The rights and obligations of Patterson-UTI and SSE are governed by the express terms and conditions of the merger agreement and not by this summary or any other information contained in this joint proxy statement/prospectus. Patterson-UTI and SSE stockholders are urged to read the merger agreement carefully and in its entirety as well as this joint proxy statement/prospectus before making any decisions regarding the merger, including the approval and adoption of the merger agreement and the transactions contemplated by the merger agreement by the SSE stockholders and the approval by the Patterson-UTI stockholders of the issuance of shares of Patterson-UTI common stock to SSE stockholders pursuant to the merger.

The merger agreement is included in this joint proxy statement/prospectus to provide you with information regarding its terms and is not intended to provide any factual information about Patterson-UTI or SSE. The merger agreement contains representations and warranties by each of the parties to the merger agreement. These representations and warranties have been made solely for the benefit of the other parties to the merger agreement and:

- are not necessarily intended as statements of fact, but rather as a way of allocating the risk between the parties in the event that the statements therein prove to be inaccurate;

- have been qualified by certain disclosures that were made between the parties in connection with the negotiation of the merger agreement, which disclosures are not reflected in the merger agreement; and

- may apply standards of materiality in a way that is different from what may be viewed as material by you or other investors.

Accordingly, the representations and warranties and other provisions of the merger agreement should not be read alone, but instead should be read together with the information provided elsewhere in this joint proxy statement/prospectus and in the documents incorporated by reference into this joint proxy statement/prospectus. See Where You Can Find More Information beginning on page 250.

This summary is qualified in its entirety by reference to the merger agreement.

Terms of the Merger; Merger Consideration

The merger agreement provides that, upon the terms and subject to the conditions set forth in the merger agreement and in accordance with the DGCL, at the effective time, Merger Sub will merge with and into SSE. SSE will be the surviving corporation in the merger and will become a wholly owned subsidiary of Patterson-UTI. At the effective time, each outstanding share of SSE common stock, other than shares owned by SSE and its wholly owned subsidiaries, shares owned by Patterson-UTI or Merger Sub and shares for which appraisal rights held by SSE stockholders have been perfected in compliance with Section 262 of the DGCL, will be converted into the right to receive a number of shares of Patterson-UTI common stock equal to the exchange ratio.

The exchange ratio will be equal to 49,559,000 shares of Patterson-UTI common stock, divided by the total number of shares of SSE common stock outstanding or deemed outstanding immediately prior to the effective time (which includes (i) shares of SSE common stock outstanding as a result of the exercise of warrants to acquire SSE common stock, (ii) shares of SSE common stock deemed outstanding as a result of the vesting of SSE restricted stock unit awards that existed prior to the execution of the merger agreement, (iii) any shares of SSE common stock subject to perfected appraisal rights, (iv) shares of SSE common stock that underlie restricted stock unit awards that SSE issues on or after the execution of the merger agreement and (v) 50% of any shares of SSE common stock that have been tendered to SSE on or after August 1, 2016 for the purposes of satisfying tax withholding obligations upon the vesting of SSE restricted stock unit awards); *provided* that, in the event that any Series A warrants to acquire shares of SSE common stock are forfeited or net settled, such 49,559,000 shares of Patterson-UTI common stock will be reduced by a number equal to (i) the aggregate exercise price for the warrants that are forfeited or net settled, divided by (ii) the volume weighted average price of a share of Patterson-UTI common stock for the ten consecutive trading days immediately preceding the third business day prior to the closing. In no event will Patterson-UTI issue more than 49,559,000 shares of its common stock as merger consideration. Annex B of this joint proxy statement/prospectus sets forth illustrative calculations of the exchange ratio. The exchange ratio will be appropriately adjusted prior to the effective time to account for any stock split, stock dividend, reverse stock split, reclassification, recapitalization, or other similar transaction or event, that occurs with respect to the shares of either Patterson-UTI common stock or SSE common stock outstanding after the date of the merger agreement and prior to the effective time.

Effective immediately prior to the effective time, each SSE restricted stock unit award granted prior to December 12, 2016 that is outstanding as of the effective time will immediately vest and any forfeiture restrictions applicable to all such awards will immediately lapse. Such SSE restricted stock unit awards will be deemed settled and shares of SSE common stock subject to such SSE restricted stock unit awards will be treated as shares of SSE common stock, including with respect to the right to receive a number of shares of Patterson-UTI common stock equal to the exchange ratio in the merger. At the effective time, each SSE restricted stock unit award granted on or following December 12, 2016 will be assumed by Patterson-UTI and converted into a restricted stock unit award, with the same terms and conditions as in effect immediately prior to the effective time, covering a number of shares of Patterson-UTI common stock equal to (i) the number of shares of SSE common stock subject to the award immediately prior to the effective time, multiplied by (ii) the exchange ratio (discussed above), rounded to the nearest whole share.

Patterson-UTI will not issue fractional shares of SSE common stock pursuant to the merger agreement. Instead, each SSE stockholder who otherwise would have been entitled to receive a fraction of a share of Patterson-UTI common stock will receive cash (without interest) in lieu thereof, upon surrender of his or her shares of SSE common stock. The exchange agent will aggregate and sell all fractional shares issuable as part of the merger consideration at the prevailing price on the NASDAQ. An SSE stockholder who would otherwise have received a fraction of a share of Patterson-UTI common stock will receive an amount of cash generated from such sales attributable to the stockholder s proportionate interest in the net proceeds of such sales, less expenses and without interest.

Completion of the Merger

The closing of the merger will take place on the third business day following the date on which the last condition to the completion of the merger has been satisfied or waived, or such other date as Patterson-UTI and SSE may agree in writing. The merger will become effective at the date and time the parties file the certificate of merger with the Delaware Secretary of State, or at such subsequent time as agreed to in writing by Patterson-UTI and SSE and specified in the certificate of merger.

Patterson-UTI and SSE currently expect the closing of the merger to occur late in the first quarter or early in the second quarter of 2017. However, as the merger is subject to the satisfaction or waiver of other conditions described in the merger agreement, it is possible that factors outside the control of Patterson-UTI and SSE could result in the merger being completed at an earlier time, a later time or not at all.

Exchange of Shares in the Merger

On or prior to the effective time, Patterson-UTI will enter into an agreement with a bank or trust company reasonably acceptable to SSE to act as exchange agent for the holders of SSE common stock in connection with the merger and to receive the merger consideration and cash sufficient to pay cash (without interest) in lieu of fractional shares to which holders of fractional shares may become entitled. At the effective time, each share of

Table of Contents

SSE common stock, other than shares owned by SSE and its wholly owned subsidiaries, shares owned by Patterson-UTI or Merger Sub and shares for which appraisal rights held by SSE stockholders have been perfected, will be converted into the right to receive a number of shares of Patterson-UTI common stock equal to the exchange ratio.

Promptly after the effective time, but in no event later than three business days after the closing date, the surviving company in the merger will cause the exchange agent to mail to each holder of one or more SSE stock certificates or shares of SSE common stock represented by book entry, a letter of transmittal specifying, among other things, that delivery will be effected, and risk of loss and title to any certificates will pass, only upon proper delivery of such certificates to the exchange agent, or in the case of book entry shares, upon adherence to the procedures set forth in the letter of transmittal and instructions explaining the procedure for surrendering SSE stock certificates or, in the case of book entry shares, the surrender of such shares for payment of the merger consideration and any cash in lieu of fractional shares of Patterson-UTI common stock.

After the effective time, shares of SSE common stock, including shares for which appraisal rights held by SSE stockholders have been perfected, will no longer be outstanding. At the effective time, all such shares will be automatically canceled and will cease to exist, and each certificate or book entry share, if any, that previously represented shares of SSE common stock (other than shares for which appraisal rights have been perfected) will represent only the right to receive the merger consideration as described above, any cash (without interest) in lieu of fractional shares of Patterson-UTI common stock and any dividends or other distributions to which the holders of the certificates become entitled upon surrender of such certificates or book entry shares. Any shares of SSE common stock for which appraisal rights have been perfected will represent the right to payment of the fair value of such shares in accordance with the provisions of Section 262 of the DGCL. With respect to those shares of Patterson-UTI common stock deliverable upon the surrender of SSE stock certificates or book entry shares, until holders of such SSE stock certificates or book entry shares have surrendered those stock certificates or book entry shares to the exchange agent, those holders will not receive dividends or distributions declared or made with respect to such shares of Patterson-UTI common stock with a record date after the effective time.

Representations and Warranties

The merger agreement contains representations and warranties made by each party to the merger agreement regarding aspects of such party s business, financial condition, structure and other facts pertinent to the merger. Each of Patterson-UTI and SSE has made representations and warranties regarding, among other things:

- organization, good standing and power;
- corporate authority with respect to the execution, delivery and performance of the merger agreement, and the due and valid execution and delivery and enforceability of the merger agreement;
- absence of conflicts with, or violations of, organizational documents, other contracts, permits and applicable laws;
- required regulatory filings and consents and approvals of governmental entities;

capital structure;

SEC documents and financial statements;

absence of untrue statements of a material fact or omissions of any material fact in SEC filings since January 1, 2014;

absence of undisclosed liabilities;

absence of certain changes and events since August 1, 2016 for SSE, and December 31, 2015 for Patterson-UTI;

tax matters;

Table of Contents

- compliance with laws;
- environmental matters;
- absence of certain litigation;
- opinions from financial advisors; and
- brokers fees payable in connection with the merger.

SSE has also made additional representations and warranties relating to:

- ownership of subsidiaries;
- collective bargaining agreements and other labor matters;
- compensation and benefits matters;
- intellectual property matters;
- title to and leasehold interests in real properties;
- material contracts;
- insurance;
- certain interests of officers and directors;
- regulatory matters and permits;
- inapplicability of state takeover statutes; and
- customers and suppliers.

Patterson-UTI and Merger Sub have also made an additional representation and warranty relating to their lack of ownership of SSE common stock that would cause either of them to be an interested stockholder as such term is defined in Section 203 of the DGCL.

The merger agreement also contains certain representations and warranties of Patterson-UTI relating to the availability of at least $450 million in cash on hand or other sources of immediately available funds and availability under the Patterson-UTI revolving credit facility, as of the signing and closing date, and with respect to its wholly owned subsidiary, Merger Sub, including, without limitation, representations about Merger Sub s organization, good standing and power, corporate authority with respect to the execution, delivery and performance of the merger agreement, absence of conflicts and violations, required consents and approvals, and absence of business conduct.

Many of the representations and warranties in the merger agreement are qualified by a materiality or material adverse effect standard (that is, they will not be deemed to be untrue or incorrect unless their failure to be true or correct, individually or in the aggregate, would, as the case may be, be material or have a material adverse effect). For purposes of the merger agreement, a material adverse effect means, with respect to any person, any material adverse effect on the business or results of operations of such person and its subsidiaries taken as a whole, but excluding:

changes in the economy or financial, debt, credit or securities markets generally in the United States or elsewhere, including changes in interest or exchange rates;

changes generally affecting the industries (or segments thereof) in which such person or any of its subsidiaries operate or industry margins;

changes in the prices of natural gas, crude oil, refined petroleum products, other hydrocarbon products, natural gas liquids and products produced from the fractionation of natural gas liquids and other commodities;

changes or proposed changes in GAAP or other accounting standards or interpretations thereof or in any legal requirements, interpretations thereof or regulatory conditions or any changes in the enforcement of any of the foregoing or in general legal or regulatory conditions;

changes in any political conditions, acts of war (whether or not declared), hostilities, military actions or acts of terrorism, or any escalation or worsening of the foregoing;

weather conditions or acts of God (including storms, earthquakes, tsunamis, tornados, hurricanes, pandemics, floods or other natural disasters or other comparable events);

any change, in and of itself, in the market price or trading volume of such person s securities; provided that the exception in this clause shall not prevent or otherwise affect a determination that any underlying change, effect, occurrence or development that is the cause of such failure has resulted in a material adverse effect to the extent not otherwise falling within any of the other exceptions listed here;

any failure by such person to meet any internal or published projections, forecasts, estimates or predictions of revenues, earnings, cash flow or cash position or other financial, accounting or operating measures or metrics (whether such projections, forecasts, estimates or predictions were made by such person or independent third parties) for any period; provided that the exception in this clause shall not prevent or otherwise affect a determination that any underlying change, effect, occurrence or development that is the cause of such failure has resulted in a material adverse effect to the extent not otherwise falling within any of the other exceptions listed here;

the negotiation, execution, announcement or performance of the merger agreement or the consummation of the merger or the other transactions contemplated by the merger agreement, including the impact thereof on the relationships, contractual or otherwise, with employees, labor unions, financing sources, customers, suppliers, distributors, regulators, partners or other persons), or any action or claim made or brought by any of the current or former stockholders of such person (or on their behalf or on behalf of such person) against such person or any of its directors, officers or employees arising out of merger agreement or the merger or the other transactions contemplated by the merger agreement; and

any action taken by such person or any of its subsidiaries that is required by the merger agreement or with another party s written consent or at the request of another party;

provided, *further*, that with respect to the first seven items in the list above, such change, event, occurrence or development may be taken into account in determining whether there has been, or would reasonably be expected to be, a material adverse effect to the extent such change, event, occurrence or development has a materially disproportionately adverse effect on such person and its subsidiaries, taken as a whole, as compared to other participants in the industries in which such person and its subsidiaries operate (in which case the disproportionate impact or impacts may be taken into account in determining whether there has been, or would reasonably be expected to be, a material adverse effect).

Conduct of Business

Each of Patterson-UTI and SSE has agreed to certain covenants in the merger agreement restricting the conduct of its business between the date of the merger agreement and the effective time. In general, each of Patterson-UTI and SSE has agreed to use reasonable best efforts to conduct its business in the ordinary course of business, including by using its reasonable best efforts to preserve substantially intact its present business organization, maintain its existing relations with key suppliers, customers, employees and other persons having business relationships with such party, maintain its existing insurance policies or reasonably substitutes thereof and properly maintain all of its material personal properties and assets, tangible or intangible, owned or leased, substantially in accordance with past practice, in each case, further subject to certain specific restrictions relating to the conduct of its business as set forth in the following paragraph.

In addition, SSE has agreed to specific restrictions relating to the conduct of its business between the date of the merger agreement and the effective time, including, without limitation, to not do any of the following (subject, in each case, to exceptions specified below and in the merger agreement or previously disclosed in writing to Patterson-UTI as provided in the merger agreement, as required by applicable legal requirements or as consented to in advance by Patterson-UTI, which consent may not be unreasonably withheld or delayed):

- declare, set aside or pay dividends on, or make any other distributions in respect of, any of its capital stock or other equity or voting interests (other than dividends and distributions by a direct or indirect wholly-owned subsidiary to SSE or to another direct or indirect wholly-owned subsidiary of SSE);

- split, combine, or reclassify any of its capital stock or other equity or voting interests, or issue any other securities in respect of, in lieu of, or in substitution for shares of its capital stock or other equity or voting interests, except for transactions by its wholly owned subsidiaries;

- purchase, redeem, or otherwise acquire any shares of capital stock or any other securities of SSE or any of its subsidiaries or any securities convertible into or exchangeable for such shares of capital stock or other securities or any options, warrants, calls, or rights to acquire any such shares or other securities, except for any acquisition of shares of its common stock upon the vesting of its restricted stock units to satisfy any tax withholding obligations and except for any acquisition of its warrants upon the exercise of its warrants, in each case, in accordance with their present terms;

- offer, issue, deliver, grant, sell, pledge, or otherwise encumber any shares of its capital stock, any other equity or voting interests or any securities convertible into, or exchangeable for, or any options, warrants, calls, or rights to acquire or receive, any such shares, interests, or securities or any stock appreciation rights, phantom stock awards, or other rights that are linked in any way to the price of its common stock or warrants or the value of SSE or any part thereof, other than:

  - the issuance of shares of its common stock upon the vesting of restricted stock units or the exercise of warrants in accordance with their present terms, and except for transactions solely among SSE and its wholly owned subsidiaries or among its wholly owned Subsidiaries; and

  - the grant of retention restricted stock unit awards with respect to up to 300,000 shares of its common stock; provided that retention restricted stock unit awards will not vest single-trigger upon the effective time and will instead vest upon the 120^{th} day following the closing date or upon an earlier qualifying termination of employment and provided that such retention restricted stock unit award shall be drafted in a manner so as to exempt such award from treatment as nonqualified deferred compensation subject to section 409A of the Code;

- amend its certificate of incorporation or bylaws or adopt any change in the comparable similar organizational documents of any of its subsidiaries;

effect or become a party to any merger, consolidation, share exchange, business combination, recapitalization, or similar transaction or authorize, recommend, propose or announce an intention to adopt a plan of complete or partial dissolution or liquidation, in each case other than any such transactions among SSE and any wholly owned subsidiaries or among its wholly owned subsidiaries;

acquire by merger or consolidation, or by purchasing all or a substantial portion of the assets of, or by purchasing all or a substantial equity or voting interest in, or by any other manner, all or a substantial portion of any business or any entity or division thereof of a person (other than any such transaction among SSE and its wholly owned subsidiaries or among its wholly owned subsidiaries);

acquire any equity interest in any entity or any assets or a license therefor, other than:

acquisitions of assets in order to maintain and sustain its and its subsidiaries drilling rigs, pressure pumping equipment or rental equipment in the ordinary course of business;

pursuant to existing contracts as of the date of the merger agreement;

if the amount of consideration paid or transferred by its and its subsidiaries in connection with such transactions would not exceed $250,000 individually or $1,000,000 in the aggregate during any fiscal quarter; or

Table of Contents

any such transaction among SSE and its wholly owned subsidiaries or among its wholly owned subsidiaries;

make or commit to make any capital expenditure or series of related capital expenditures, other than making or committing to make any (i) maintenance expenditures in the ordinary course of business consistent with past practice, (ii) capital expenditures as required by any governmental body or (iii) capital expenditures that do not exceed $5,000,000 during any fiscal quarter;

enter into or amend any lease or sublease of real property, in each case, that is material to SSE and its subsidiaries, taken as a whole;

sell or otherwise dispose of any of its properties or assets, other than (i) the sales and dispositions of inventory and products in the ordinary course of business consistent with past practice, (ii) sales and dispositions that do not exceed $250,000 individually or $1,000,000 in the aggregate during any fiscal quarter and (iii) any such transaction among SSE and its wholly owned subsidiaries or among its wholly owned Subsidiaries;

incur any indebtedness or issue or sell any debt securities or options, warrants, calls, or other rights to acquire any debt securities of SSE or any of its subsidiaries, other than:

indebtedness among SSE and its wholly owned subsidiaries or among its wholly owned subsidiaries;

indebtedness incurred in the ordinary course of business consistent with past practice under the revolving credit facility pursuant to SSE s Amended and Restated Credit Agreement dated as of August 1, 2016; or

letters of credit, bank guarantees, security or performance bonds or similar credit support instruments, overdraft facilities or cash management programs, in each case made or entered into in the ordinary course of business consistent with past practice;

guarantee any indebtedness of another person, enter into any keep well or other agreement to maintain the financial condition of another person, or enter into any arrangement having the economic effect of any of the foregoing, other than guarantees of indebtedness of SSE or its wholly owned subsidiaries outstanding on the date hereof or otherwise incurred in compliance with provision;

repurchase or prepay any indebtedness other than in accordance with the terms of the agreements governing such indebtedness, as in effect on the date of the merger agreement;

make any (i) loans, advances or extension of credit other than to customers in the ordinary course of business or (ii) capital contributions to, or investments in, any other person, in each case other than SSE or any of its direct or indirect wholly owned subsidiaries;

settle any legal proceeding against SSE or any of its subsidiaries (excluding any audit, claim or other proceeding in respect of taxes, but including claims of stockholders and any stockholder litigation relating to the merger agreement, the merger, or any other contemplated transaction or otherwise) for an amount in excess of $500,000 individually or $1,000,000 in the aggregate, in each case net of insurance proceeds, other than the settlement of any legal proceedings in an amount not to exceed the maximum amounts reflected or reserved against in respect of such legal proceeding in the balance sheet (or the notes thereto) of SSE included in the financial statements of SSE and its subsidiaries;

waive or release any material claim or legal proceeding brought by SSE or any of its subsidiaries against another person, other than in the ordinary course of business consistent with past practice;

enter into any material contract except:

in the ordinary course of business that (i) provides for a term no longer than six months from the date of execution or (ii) is terminable by SSE or any its subsidiaries without penalty upon 30 days notice or less, or in connection with any matter to the extent such matter is permitted by any other clause of this list; provided that (i) SSE shall not, and shall not permit any of its subsidiaries to, enter into any material contract permitted by this list (a) if consummation of the contemplated transactions or compliance by SSE with the provisions of the merger agreement will conflict with, or result in any violation or breach of, or default (with or without notice or lapse of time or both) under, or give rise to a right of, or result in, termination, cancellation, or acceleration of any obligation or to a loss of a material benefit under, or result in the creation of any encumbrance in or upon any of the properties or assets of SSE or any of its subsidiaries or Patterson-UTI or any of its subsidiaries under, or give rise to any increased, additional, accelerated, or guaranteed rights or entitlements under, any provision of such contract or (b) that in any way purports to restrict the business activity of SSE or any of its subsidiaries or any of their affiliates or to limit the freedom of SSE or any of its subsidiaries or any of their affiliates to engage in any line of business or to compete with any person or in any geographic area; and (ii) in the event that SSE or any of its subsidiaries enters into a material contract committing SSE or any of its subsidiaries to make capital expenditures, such material contract shall (a) provide for a term no longer than six months from the date of execution or (b) be terminable by SSE or any its subsidiaries without penalty upon 30 days notice or less;

other than in connection with any matter to the extent such matter is permitted by any other clause in this list, amend, modify, change, or terminate any material contract to which SSE or any of its subsidiaries is a party (other than any expiration, termination or renewal of any such material contract in accordance with its existing terms), or waive, release, or assign any material rights or claims thereunder; provided, however, that SSE and its subsidiaries shall be permitted to amend, modify, change and terminate:

the material indebtedness contracts so long as the contract evidencing indebtedness of SSE or any of its subsidiaries has, and after such amendment, modification, change or termination will have, an outstanding principal amount of less than $5,000,000; and

any material contract so long as SSE and its subsidiaries obtains reasonably equivalent economic value for any rights foregone as a result of such amendment, modification, change or termination;

adopt or enter into any collective bargaining agreement or other contract with a labor union or representative of employees that is applicable to the employees of SSE or any of its subsidiaries;

hire any new employee, officer or independent contractor or engage any independent contractor whose employment or engagement may not be terminated by SSE or any of its subsidiaries without penalty on 30 days notice or less;

increase in any manner the compensation or benefits of, or pay any bonus to, any employee, officer, director, or independent contractor of SSE or any of its subsidiaries, except for (i) such increases or bonuses as set forth in the SSE disclosure schedule to the merger agreement and (ii) such increases or bonuses to employees in the ordinary course of business consistent with past practice and solely in connection with a promotion or demotion of an employee of SSE or any of its subsidiaries; provided that the exception in this clause (ii) shall not apply for employees who are a party to any severance, change of control or retention arrangement with SSE or any of its subsidiaries or whose annual base compensation is in excess of $300,000; provided further than no bonus, retention, performance or incentive aware or opportunity may be granted under SSE s incentive plan with respect to service or performance in 2017 other than permitted grants of SSE restricted stock units;

except as permitted by the merger agreement or as required to comply with any contract or benefit plan in effect on the date of the merger agreement:

- pay or agree to pay to any employee, officer, director, or independent contractor of SSE or any of its subsidiaries any severance, retention, or change in control benefit (other than any restricted stock units awards granted and any separation agreements entered into with terminated employees in the ordinary course of business that provide for severance in accordance with SSE s policy);

Table of Contents

grant any new equity awards under any benefit plan, other than any restricted stock units awards granted in accordance with the merger agreement;

take any action to fund any future payment of, or in any other way secure the payment of, compensation or benefits under any benefit plan;

take any action to accelerate the vesting or payment of any compensation or benefit under any contract or benefit plan;

adopt, enter into, materially amend, or terminate any benefit plan other than offer letters entered into with new employees in the ordinary course of business consistent with past practice that provide, except as required by applicable legal requirements, for at will employment with no severance benefits; or

make any material determination under any benefit plan that is not in the ordinary course of business consistent with past practice;

other than in the ordinary course of business consistent with past practice, (i) make or rescind any material election relating to taxes (including any election for any joint venture, partnership, limited liability company or other investment where SSE has the authority to make such binding election in its discretion, but excluding any election that must be made periodically and is made consistent with past practice), (ii) settle or compromise any material legal proceeding relating to taxes for an amount materially in excess of the amount accrued or reserved with respect thereto on its balance sheet or (iii) change any material method of tax accounting;

except as required by applicable legal requirements or GAAP, change its fiscal year or make any material changes in financial accounting methods, principles, or practices;

fail to keep in full force all insurance policies referred to in the merger agreement or, in the event that any such insurance policy is not maintained, obtain an alternative insurance policy with substantially the same coverage, written by insurers authorized to do business in the applicable jurisdiction(s) and having an A.M. Best rating of B+:V or better (or equivalent); or

authorize any of, or commit, resolve, or agree to take any of, the foregoing actions.

In addition, Patterson-UTI has agreed to specific restrictions relating to the conduct of its business between the date of the merger agreement and the effective time, including, without limitation, to not do any of the following (subject, in each case, to exceptions specified below and in the merger agreement or previously disclosed in writing to SSE as provided in the merger agreement, as required by applicable legal requirements, or as consented to in advance by SSE, which consent may not be unreasonably withheld or delayed):

declare, set aside, or pay any dividends on, or make any other distributions (whether in cash, stock, or property) in respect of, any of its capital stock or other equity or voting interests, except for (i) the payment of quarterly cash dividends on shares of Patterson-UTI common stock of $0.02 per share of common stock with declaration, record and payment dates consistent with past practice and in accordance with its current dividend policy and (ii) transactions solely among Patterson-UTI and its wholly owned subsidiaries or among its wholly owned subsidiaries;

split, combine, or reclassify any of its capital stock or other equity or voting interests, or issue any other securities in respect of, in lieu of, or in substitution for shares of its capital stock or other equity or voting interests, except for transactions by its wholly owned subsidiaries;

purchase, redeem, or otherwise acquire any shares of capital stock or any other securities of Patterson-UTI or any of its subsidiaries or any securities convertible into or exchangeable for such shares of capital stock or other securities or any options, warrants, calls, or rights to acquire any such shares or other securities, other than (i) the acquisition by Patterson-UTI of shares of its common stock in connection with the surrender of shares of its common stock by holders of its stock options in order to pay the exercise price thereof, (ii) the withholding of shares of its common stock to satisfy tax obligations with respect to awards granted pursuant to Patterson-UTI employee benefit plans and (iii) the acquisition by Patterson-UTI of awards granted pursuant to its employee benefit plans in connection with the forfeiture of such awards;

offer, issue, deliver, grant or sell, or authorize or propose to offer, issue, deliver, grant or sell, any capital stock of, or other equity interests in, Patterson-UTI or any of its subsidiaries or any securities convertible into, or any rights, warrants or options to acquire, any such capital stock or equity interests, other than:

the issuance of capital stock of Patterson-UTI in connection with the conversion or vesting of equity awards outstanding as of the date hereof or equity awards issued after the date hereof in the ordinary course of business consistent with past practice, or the issuance of equity awards in the ordinary course of business consistent with past practice pursuant to any benefit plans sponsored or maintained by Patterson-UTI;

the issuance by a wholly owned subsidiary of Patterson-UTI of such subsidiary s capital stock or other equity interests to Patterson-UTI or any other wholly owned subsidiary of Patterson-UTI;

in connection with (i) the repayment of any indebtedness of Patterson-UTI and its subsidiaries or (ii) any financing in connection with the consummation of the transactions contemplated by the merger agreement, including the issuance of shares of its common stock in an amount not exceeding $500,000,000 in the aggregate; or

in connection with any acquisition of any assets or securities or all or any portion of the business or property of another entity, or any merger, consolidation or other business combination transaction (for the avoidance of doubt without limiting the bullet point directly below);

except as would not materially impede or materially delay the consummation of the merger, effect or become a party to any merger, consolidation, share exchange, business combination, recapitalization, or similar transaction, or authorize, recommend, propose or announce an intention to adopt a plan of complete or partial dissolution or liquidation, in each case other than any such transactions among Patterson-UTI and any wholly owned subsidiaries or among its wholly owned subsidiaries;

amend its certificate of incorporation or bylaws or adopt any material change in the comparable similar organizational documents of any of its subsidiaries that would adversely affect the consummation of the merger or the other transactions contemplated by the merger agreement;

except as required by applicable legal requirements or GAAP, change its fiscal year, or make any material changes in financial accounting methods, principles, or practices; or authorize any of, or commit, resolve, or agree to take any of, the foregoing actions.

Debt Financing

In connection with the merger, Patterson-UTI entered into a financing commitment letter with Canyon Capital Advisors LLC for a senior unsecured bridge facility in an aggregate principal amount not to exceed $150 million for the purposes of repaying or redeeming certain of SSE and its subsidiaries indebtedness and to pay related fees and expenses. Any undrawn commitments under the bridge facility will automatically terminate on the closing date. Patterson-UTI may issue debt securities or equity, incur bank loans or consummate other financings or use cash on hand in lieu of drawing all or a portion of the bridge loan committed to be funded under the bridge facility.

The bridge facility will be subject to representations, warranties and covenants that, subject to certain agreed modifications, will be substantially similar to the Patterson-UTI revolving credit facility. The funding of the bridge facility is subject to Patterson-UTI s compliance with customary terms and conditions precedent as set

Table of Contents

forth in the commitment letter, including, among others: (i) the execution and delivery by Patterson-UTI of definitive documentation consistent with the commitment letter and (ii) that the merger shall have been, or substantially simultaneously with the funding under the bridge facility shall be, consummated in accordance with the terms of the merger agreement. Patterson-UTI expects that aggregate proceeds of the bridge facility, together with the available cash of Patterson-UTI and borrowings under the Patterson-UTI revolving credit facility will be sufficient to consummate the merger in accordance with the terms of the merger agreement and to pay all related fees and expenses payable in connection therewith.

No Solicitation of Competing Proposals

SSE has it agreed that it will, and will cause its subsidiaries and certain SSE representatives to, immediately cease and cause to be terminated any discussions or negotiations with any person conducted prior to the execution of the merger agreement with respect to a SSE acquisition proposal (as defined below), request the return or destruction of all confidential information previously provided to such parties by or on behalf of it or its subsidiaries and immediately prohibit any access by any person (other than Patterson-UTI and its representatives) to any physical or electronic data room relating to a possible SSE acquisition proposal.

A SSE acquisition proposal means any offer, proposal, inquiry or indication of interest (other than an offer, proposal, inquiry, or indication of interest by Patterson-UTI, its subsidiaries or its affiliates) relating to:

- any merger, consolidation, share exchange, business combination, issuance of securities, acquisition or sale of securities, tender offer, exchange offer, or other similar transaction involving SSE or any of its subsidiaries pursuant to which a person (other than Patterson-UTI, Merger Sub or their affiliates) or group (as defined in the Exchange Act and the rules promulgated thereunder) of persons (other than Patterson-UTI, Merger Sub or their affiliates) directly or indirectly acquires beneficial or record ownership of securities representing more than 15% of the outstanding securities of any class of voting securities of SSE or of the surviving entity or the resulting direct or indirect parent of SSE or such surviving entity in a merger, consolidation, tender offer, share exchange or other business combination involving SSE; or

- any sale (other than sales of inventory in the ordinary course of business consistent with past practice), lease (other than in the ordinary course of business consistent with past practice), exchange, transfer (other than sales of inventory in the ordinary course of business consistent with past practice), license (other than nonexclusive licenses in the ordinary course of business consistent with past practice), acquisition, or disposition of any business or businesses or assets to a person (other than Patterson-UTI, Merger Sub or their affiliates) or group (as defined in the Exchange Act and the rules promulgated thereunder) of persons (other than Patterson-UTI, Merger Sub or their affiliates) that constitute or account for 15% or more of the consolidated net revenues, net income or assets of SSE and its subsidiaries.

Subject to certain exceptions described below, SSE has agreed that it will not, and will cause its subsidiaries not to and will use reasonable best efforts to cause certain of its representatives not to, directly or indirectly:

- solicit, initiate, facilitate, knowingly encourage (including by way of furnishing confidential information), or induce or take any other action that could reasonably be expected to lead to any inquiries, proposals or indications of interest that constitute the making, submission, or announcement of any SSE acquisition proposal;

furnish any nonpublic information regarding SSE or any of its subsidiaries to any person in connection with or in response to a SSE acquisition proposal or an inquiry or indication of interest that would reasonably be expected to lead to a SSE acquisition proposal;

engage in discussions or negotiations with any person with respect to any SSE acquisition proposal;

approve, endorse, or recommend any SSE acquisition proposal; or

Table of Contents

enter into any letter of intent or similar document or any contract contemplating or otherwise relating to any SSE acquisition transaction.

the foregoing being referred to as the SSE non-solicitation covenants.

Notwithstanding the SSE non-solicitation covenants described above, SSE is permitted, prior to obtaining SSE stockholder approval of the merger, to engage in the activities prohibited by the SSE non-solicitation covenants with any person who has made a written*, bona fide* SSE acquisition proposal that is, or is reasonably likely to result in, a superior SSE proposal (as defined below) if (i) none of SSE, its restricted representatives or its subsidiaries have violated the SSE non-solicitation covenants, (ii) the SSE board of directors concludes in good faith, after consultation with its outside legal counsel, that the failure to take such action would be inconsistent with its fiduciary obligations to SSE s stockholders under applicable legal requirements, (iii) prior to furnishing any such nonpublic information to, or entering into discussions with, such person, SSE gives Patterson-UTI written notice of the identity of such person and of SSE s intention to furnish nonpublic information to, or enter into discussions with, such person, (iv) SSE receives from such person an executed confidentiality agreement containing limitations on the use and disclosure of nonpublic written and oral information furnished to such person by or on behalf of SSE on terms no less favorable to SSE in the aggregate than the terms of the confidentiality agreement and (v) prior to furnishing any such nonpublic information to such person, SSE furnishes such nonpublic information to Patterson-UTI (to the extent such nonpublic information has not been previously furnished by SSE to Patterson-UTI).

A superior SSE proposal means an unsolicited, *bona fide* written SSE acquisition proposal made by a third person that the SSE board of directors determines in good faith, after consultation with outside legal counsel and its outside financial advisors, and taking into account all legal, financial (including the financing terms of such SSE acquisition proposal) and regulatory aspects of the proposal and the person making the proposal (i) is more favorable from a financial point of view to SSE s stockholders than the merger and (ii) is reasonably capable of being consummated; provided that, for purposes of the definition of superior SSE proposal, the references to 15% in the definition of SSE acquisition proposal shall be deemed to be references to 80%.

SSE has also agreed to promptly (and in no event later than 24 hours after receipt thereof) advise Patterson-UTI orally and in writing of any SSE acquisition proposal, any inquiry, proposal or indication of interest that would reasonably be expected to lead to a SSE acquisition proposal, any request for nonpublic information relating to SSE or any of its subsidiaries with respect to a SSE acquisition proposal, or any request for discussions or negotiations are sought to be initiated or continued with, SSE in respect of any SSE acquisition proposal (including the identity of the person making or submitting such SSE acquisition proposal, inquiry, indication of interest or request and the material terms thereof) that is made or submitted by any person during the pre-closing period. SSE shall promptly (and in no event later than 24 hours after receipt thereof) provide Patterson-UTI with copies of any draft agreements relating to, or written proposals containing any material term of, such SSE acquisition proposal, inquiry or indication of interest received from or on behalf of such person. SSE shall keep Patterson-UTI fully informed with respect to the status and material terms of any such SSE acquisition proposal, inquiry, indication of interest, or request and any modification or proposed modification thereto (and SSE shall promptly provide Patterson-UTI with copies of any draft agreements relating to, or written proposals containing any material term of, such SSE acquisition proposal, inquiry or indication of interest that SSE has delivered to any third person making a SSE acquisition proposal) and of the status of any such discussions or negotiations.

SSE has further agreed not to release or permit the release of any third person from, or to waive or permit the waiver of any provision of, any confidentiality, standstill, or similar agreement to which SSE or any of its subsidiaries is a party, and shall enforce or cause to be enforced each such agreement at the request of Patterson-UTI. SSE also agreed to promptly request each third person that executed a confidentiality agreement within six months prior to the date of the merger agreement, in connection with its consideration of a possible SSE acquisition proposal or equity investment, to return all confidential information previously furnished to such third party by or on behalf of SSE or any of its subsidiaries.

Table of Contents

In addition, Patterson-UTI has it agreed that it will, and will cause its subsidiaries and certain Patterson-UTI representatives to, immediately cease and cause to be terminated any discussions or negotiations with any person conducted prior to the execution of the merger agreement with respect to a Patterson-UTI acquisition proposal (as defined below), request the return or destruction of all confidential information previously provided to such parties by or on behalf of it or its subsidiaries and immediately prohibit any access by any person (other than SSE and its representatives) to any physical or electronic data room relating to a possible Patterson-UTI acquisition proposal.

A Patterson-UTI acquisition proposal means any offer, proposal, inquiry or indication of interest (other than an offer, proposal, inquiry, or indication of interest by SSE, its subsidiaries or its affiliates) relating to:

- any merger, consolidation, share exchange, business combination, issuance of securities, acquisition or sale of securities, tender offer, exchange offer, or other similar transaction involving Patterson-UTI or any of its subsidiaries pursuant to which a person (other than SSE or its affiliates) or group (as defined in the Exchange Act and the rules promulgated thereunder) of persons (other than SSE or its affiliates) directly or indirectly acquires beneficial or record ownership of securities representing more than 15% of the outstanding securities of any class of voting securities of Patterson-UTI or of the surviving entity or the resulting direct or indirect parent of Patterson-UTI or such surviving entity in a merger, consolidation, tender offer, share exchange or other business combination involving Patterson-UTI; or

- any sale (other than sales of inventory in the ordinary course of business consistent with past practice), lease (other than in the ordinary course of business consistent with past practice), exchange, transfer (other than sales of inventory in the ordinary course of business consistent with past practice), license (other than nonexclusive licenses in the ordinary course of business consistent with past practice), acquisition, or disposition of any business or businesses or assets to a person (other than SSE or its affiliates) or group (as defined in the Exchange Act and the rules promulgated thereunder) of persons (other than SSE or its affiliates) that constitute or account for 15% or more of the consolidated assets of Patterson-UTI and its subsidiaries.

Subject to certain exceptions described below, Patterson-UTI has agreed that it will not, and will cause its subsidiaries not to and will use reasonable best efforts to cause certain of its representatives not to, directly or indirectly:

- solicit, initiate, facilitate, knowingly encourage (including by way of furnishing confidential information), or induce or take any other action that could reasonably be expected to lead to any inquiries, proposals or indications of interest that constitute the making, submission, or announcement of any Patterson-UTI acquisition proposal;

- furnish any nonpublic information regarding Patterson-UTI or any of its subsidiaries to any person in connection with or in response to a Patterson-UTI acquisition proposal or an inquiry or indication of interest that would reasonably be expected to lead to a Patterson-UTI acquisition proposal;

- engage in discussions or negotiations with any person with respect to any Patterson-UTI acquisition proposal;

approve, endorse, or recommend any Patterson-UTI acquisition proposal; or

enter into any letter of intent or similar document or any contract contemplating or otherwise relating to any Patterson-UTI acquisition transaction.

the foregoing being referred to as the Patterson-UTI non-solicitation covenants.

Notwithstanding the Patterson-UTI non-solicitation covenants described above, Patterson-UTI is permitted, prior to obtaining Patterson-UTI stockholder approval of the proposed issuance of Patterson-UTI common stock in the merger, to engage in the activities prohibited by the Patterson-UTI non-solicitation covenants with any person who has made a written, *bona fide* Patterson-UTI acquisition proposal that is, or is reasonably likely to result in, a superior Patterson-UTI proposal (as defined below) if (i) none of Patterson-UTI, its restricted representatives or its subsidiaries have violated the Patterson-UTI non-solicitation covenants, (ii) the Patterson-UTI board of directors concludes in good faith, after consultation with its outside legal counsel, that the failure to take such action would be inconsistent with its fiduciary obligations to Patterson-UTI s stockholders under applicable legal requirements, (iii) Patterson-UTI receives from such person an executed confidentiality agreement containing limitations on the use and disclosure of nonpublic written and oral information furnished to such person by or on behalf of Patterson-UTI on terms no less favorable to Patterson-UTI in the aggregate than the terms of the confidentiality agreement, and (iv) prior to furnishing any such nonpublic information to such person, Patterson-UTI furnishes such nonpublic information SSE (to the extent such nonpublic information has not been previously furnished by Patterson-UTI to SSE).

A superior Patterson-UTI proposal means an unsolicited, *bona fide* written Patterson-UTI acquisition proposal made by a third person that the Patterson-UTI board of directors determines in good faith, after consultation with outside legal counsel and its outside financial advisors, and taking into account all legal, financial (including the financing terms of such Patterson-UTI acquisition proposal) and regulatory aspects of the proposal and the person making the proposal (i) is more favorable from a financial point of view to Patterson-UTI s stockholders than the merger and (ii) is reasonably capable of being consummated; provided that, for purposes of the definition of superior Patterson-UTI proposal, the references to 15% in the definition of Patterson-UTI acquisition proposal shall be deemed to be references to 50%.

Changes in Board Recommendations

Subject to certain exceptions, the merger agreement generally provides that:

- The SSE board of directors may not change its recommendation that SSE stockholders adopt the merger agreement; and

- The Patterson-UTI board of directors may not change its recommendation that Patterson-UTI stockholders approve the issuance of Patterson-UTI common stock in the merger.

However, notwithstanding the foregoing, the merger agreement provides that, prior to obtaining SSE stockholder approval of the merger, the SSE board of directors in response to a SSE acquisition proposal may effect a change in recommendation after satisfaction of all of the following:

- the SSE acquisition proposal was not obtained or made as a direct or indirect result of a breach of the merger agreement or the confidentiality agreement;

- the SSE board of directors determines in good faith, after consultation with an independent financial advisor of nationally recognized reputation and outside legal counsel, that such SSE acquisition proposal constitutes a superior SSE proposal;

the SSE board of directors does not effect, or cause SSE to effect, a change in recommendation at any time within five business days after Patterson-UTI receives written notice from SSE confirming that the SSE board of directors has determined that such SSE acquisition proposal is a superior SSE proposal;

during such five-business day period, if requested by Patterson-UTI, SSE engages in good faith negotiations with Patterson-UTI to amend merger agreement in such a manner that the SSE acquisition proposal that was determined to constitute a superior SSE proposal no longer constitutes a superior SSE proposal;

at the end of such five-business day period, such SSE acquisition proposal has not been withdrawn and continues to constitute a superior SSE proposal (taking into account any changes to the terms of the merger agreement irrevocably agreed by Patterson-UTI as a result of the required or otherwise); and

Table of Contents

the SSE board of directors determines in good faith, after consultation with outside legal counsel, that, in light of such superior SSE proposal, the failure to make a SSE change in recommendation would be inconsistent with its fiduciary obligations to SSE s stockholders under applicable legal requirements.

In addition to the provisions in the merger agreement described above that permit the SSE board of directors to effect a change in recommendation in connection with a superior proposal, the merger agreement also permits the SSE board of directors to effect a change in recommendation prior to obtaining SSE stockholder approval of the merger and in response to a SSE intervening event (as defined below) with respect to SSE after satisfaction of all of the following conditions:

the SSE board of directors does not effect, or cause SSE to effect, a change in recommendation at any time within five business days after Patterson-UTI receives written notice from SSE confirming that the SSE board of directors has determined that, in light of such SSE intervening event, the SSE board of directors intends to effect a change in recommendation;

during such five business day period, if requested by Patterson-UTI, SSE engages in good-faith negotiations with Patterson-UTI to amend the merger agreement in a manner that obviates the need for the SSE board of directors to effect, or cause SSE to effect, a change in recommendation as a result of such SSE intervening event; and;

at the end of such five business day period, the SSE board of directors determines in good faith, after consultation with outside legal counsel, that, in light of such SSE intervening event, the failure to make a SEE change in recommendation would be inconsistent with its fiduciary obligations to SSE s stockholders under applicable legal requirements.

Subject to certain exceptions, a SSE intervening event means a material development or change in circumstances that occurs or arises after the date of the merger agreement that was not known to (i) the SSE board of directors, (ii) any executive officer of SSE or (iii) any other officer of SSE holding the title of President or higher that is in charge of any business unit or operating subsidiary of SSE, in each case as of the date of the merger agreement; provided, however, that in no event shall the receipt, existence or terms of a SSE acquisition proposal or any matter relating thereto or of consequence thereof constitute a SSE intervening event.

The merger agreement also provides that, prior to obtaining Patterson-UTI stockholder approval of the of the proposed issuance of Patterson-UTI common stock in the merger, Patterson-UTI in response to a Patterson-UTI acquisition proposal may effect a change in recommendation after satisfaction of all of the following:

such Patterson-UTI acquisition proposal was not obtained or made as a direct or indirect result of a breach of the merger agreement or the confidentiality agreement;

the Patterson-UTI board of directors determines in good faith, after consultation with an independent financial advisor of nationally recognized reputation and outside legal counsel, that such Patterson-UTI acquisition proposal constitutes a superior Patterson-UTI proposal;

the Patterson-UTI board of directors does not effect, or cause Patterson-UTI to effect, a change in recommendation at any time within five business days after Patterson-UTI receives written notice from Patterson-UTI confirming that the Patterson-UTI board of directors has determined that such Patterson-UTI acquisition proposal is a superior Patterson-UTI proposal;

during such five business day period, if requested by Patterson-UTI, Patterson-UTI engages in good faith negotiations with SSE to amend the merger agreement in such a manner that the Patterson-UTI acquisition proposal that was determined to constitute a superior Patterson-UTI proposal no longer constitutes a superior Patterson-UTI proposal;

at the end of such five business day period, such Patterson-UTI acquisition proposal has not been withdrawn and continues to constitute a superior Patterson-UTI proposal (taking into account any changes to the terms of the merger agreement irrevocably agreed by SSE as a result of the required negotiations or otherwise); and

the Patterson-UTI board of directors determines in good faith, after consultation with outside legal counsel, that, in light of such superior Patterson-UTI proposal, the failure to make a change in recommendation would be inconsistent with its fiduciary obligations to Patterson-UTI s stockholders under applicable legal requirements;

The merger agreement also provides that, prior to obtaining Patterson-UTI stockholder approval of the proposed issuance of Patterson-UTI common stock in the merger and in response to a Patterson-UTI intervening event, the Patterson-UTI board of directors or any committee thereof may effect a change in recommendation after satisfaction of all of the following conditions:

the Patterson-UTI board of directors does not effect, or cause Patterson-UTI to effect, a change in recommendation at any time within five Business Days after SSE receives written notice from Patterson-UTI confirming that, in light of a Patterson-UTI intervening event, the Patterson-UTI board of directors intends to effect a change in recommendation;

during such five Business Day period, if requested by SSE, Patterson-UTI engages in good-faith negotiations with SSE to amend the merger agreement in a manner that obviates the need for the Patterson-UTI board of directors to effect, or cause Patterson-UTI to effect, a change in recommendation as a result of such Patterson-UTI intervening event; and

at the end of such five Business Day period, the Patterson-UTI board of directors determines in good faith, after consultation with outside legal counsel, that, in light of such Patterson-UTI intervening event, the failure to make a change in recommendation would be inconsistent with its fiduciary obligations to its stockholders under applicable legal requirements.

Subject to certain exceptions, a Patterson-UTI intervening event means a material development or change in circumstances that occurs or arises after the date of the merger agreement that was not known to (i) the Patterson-UTI board of directors, (ii) any executive officer of Patterson-UTI or (iii) any other officer of Patterson-UTI holding the title of President or higher that is in charge of any business unit or operating subsidiary of Patterson-UTI, in each case as of the date of the merger agreement; provided, however, that in no event shall the receipt, existence or terms of a Patterson-UTI acquisition proposal or any matter relating thereto or of consequence thereof constitute a Patterson-UTI intervening event.

Efforts to Obtain Required Stockholder Votes

Patterson-UTI has agreed to take all action necessary in accordance with applicable legal requirements to call, give notice of, and hold a stockholders meeting as promptly as practicable after (but in any event no later than 40 days) this Form S-4 is declared effective for purposes of obtaining Patterson-UTI stockholder approval of the issuance of Patterson-UTI common stock pursuant to the merger agreement.

SSE has also agreed to take all action necessary in accordance with applicable legal requirements to call, give notice of, and hold a stockholders meeting as promptly as practicable after (but in any event no later than 40 days) this Form

S-4 is declared effective for purposes of obtaining SSE stockholder approval of the adoption of the merger agreement, the merger and the transactions contemplated by the merger agreement.

Efforts to Complete the Merger

Patterson-UTI and SSE have each agreed to cooperate fully with each other party and to use their reasonable best efforts to take, or cause to be taken, all actions necessary to consummate the merger and make effective the other transactions contemplated by the merger.

Table of Contents

Employee Benefits Matters

Patterson-UTI and SSE have agreed that:

with respect to each SSE employee as of the closing date who remains an employee of Patterson-UTI or any of its subsidiaries immediately following the merger, that employee will receive, for a period of at least six months following the effective time, an annual base salary or wage level, as applicable, annual cash incentive opportunities, and employee benefits (excluding equity-based compensation) that, in the aggregate, are substantially comparable to either (i) such compensation and employee benefits provided to such continuing employee by SSE on the date of the merger agreement or (ii) such compensation and employee benefits provided by Patterson-UTI to similarly situated employees of Patterson-UTI and its affiliates; *provided, however*, nothing in the merger agreement shall limit the right of Patterson-UTI or the surviving corporation to amend or terminate the employment of any SSE employee or to amend or terminate any employee benefit plan, program, or arrangement;

for the purposes of vesting, eligibility to participate and level of benefits under any Patterson-UTI benefit plan, with respect to each SSE employee as of the closing date who becomes eligible to participate in Patterson-UTI benefit plans, each continuing employee shall be credited with his or her years of service with SSE and its subsidiaries and their respective predecessors before the effective time, to the same extent as such continuing employee was entitled, before the effective time, to credit for such service under any similar SSE benefit plan in which such continuing employee participated or was eligible to participate immediately prior to the effective time; *provided,* that the foregoing shall not apply to the extent (i) that its application would result in a duplication of benefits, (ii) of any benefit accrual under any Patterson-UTI benefit plan that is a defined benefit plan or (iii) the similar SSE benefit plan s method or formula of service crediting is not consistent with the method or formula of service crediting under the Patterson-UTI benefit plan in which case, such continuing employee shall be credited with his or her years of service with SSE and its subsidiaries and their respective predecessors before the effective time in accordance with the method or formula of service crediting under the Patterson-UTI benefit plan; and

in addition and without limiting the generality of the immediately preceding bullet point, Patterson-UTI will use commercially reasonable efforts to cause (i) each continuing employee to be immediately eligible to participate, without any waiting time, in any and all Patterson-UTI benefit plans providing benefits to continuing employees after the effective time, to the extent that coverage under such Patterson-UTI benefit plan is comparable to a SSE benefit plan in which such continuing employee participated immediately before the effective time and (ii) for purposes of each Patterson-UTI benefit plan providing medical, dental, pharmaceutical and/or vision benefits to any continuing employee, all pre-existing condition exclusions and actively-at-work requirements of such Patterson-UTI benefit plans to be waived for such employee and his or her covered dependents, unless such conditions would not have been waived under the comparable plans of SSE or its subsidiaries in which such employee participated immediately prior to the effective time, and any eligible expenses incurred by such employee and his or her covered dependents during the portion of the plan year of the SSE benefit plans ending on the date such employee s participation in the corresponding Patterson-UTI benefit plan begins to be taken into account under such Patterson-UTI benefit plan for purposes of satisfying all deductible, coinsurance and maximum out-of-pocket requirements applicable to such employee and his or her covered dependents for the applicable plan year as if such amounts had been paid in accordance with such Patterson-UTI benefit plan.

Treatment of SSE Restricted Stock Unit Awards

Each SSE restricted stock unit award granted prior to December 12, 2016 that is outstanding as of the effective time will fully vest immediately prior to the closing of the merger and be treated as shares of SSE common stock and receive the merger consideration in respect of each share of SSE common stock subject to the award. In addition, at the effective time, each SSE restricted stock unit award granted on or following

December 12, 2016 will be assumed by Patterson-UTI and converted into a restricted stock unit award, with the same terms and conditions as in effect immediately prior to the effective time, covering a number of shares of Patterson-UTI common stock equal to (i) the number of shares of SSE common stock subject to the award immediately prior to the effective time, multiplied by (ii) the exchange ratio (discussed above), rounded to the nearest whole share.

Indemnification and Insurance

The merger agreement provides that, for a period of six years from the effective time, Patterson-UTI shall indemnify, defend and hold harmless, to the fullest extent permitted by applicable legal requirements, each present and former director, officer and employee of SSE or any of its subsidiaries and each person who served as a director, officer, member, trustee or fiduciary of another corporation, partnership, joint venture, trust, pension or other employee benefit plan or enterprise if such service was at the request of SSE or any of its subsidiaries against any costs or expenses, including attorneys fees (including the advancement of such costs and expenses), judgments, fines, losses, claims, damages, liabilities or settlements incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or related to such person s service as a director, officer or employee of SSE or its subsidiaries or services performed by such person at the request of SSE or its subsidiaries at or prior to the effective time.

In addition, Patterson-UTI has agreed to maintain officers and directors liability insurance, for six years following the effective time, for each director and officer of SSE on terms substantially no less advantageous to the covered parties than SSE s existing insurance. However, Patterson-UTI will not be required to pay more than 250% per year of coverage of the amount currently expended by SSE per year of coverage as of the date of the merger agreement.

Other Covenants and Agreements

The merger agreement contains certain other covenants and agreements, including covenants relating to:

- cooperation between Patterson-UTI and SSE in the preparation of this joint proxy statement/prospectus and obtaining clearance under the HSR Act;
- confidentiality and access by each party to certain information about the other party;
- cooperation by SSE and SSE s representatives in connection with any financing activities of Patterson-UTI, including any offering of debt or equity securities, repayments or refinancing and any related filings;
- application for listing on the NASDAQ of the shares of Patterson-UTI common stock to be issued in the merger; and
- qualification of the merger as a reorganization within the meaning of Section 368(a) of the Code.

Conditions to Completion of the Merger

The respective obligations of Patterson-UTI, SSE and Merger Sub to effect the merger and otherwise consummate the transactions contemplated by the merger agreement are subject to the satisfaction or waiver of the following conditions at or before the closing date:

- effectiveness of the registration statement on Form S-4 of which this joint proxy statement/prospectus forms a part and the absence of a stop order suspending the effectiveness of such registration statement on Form S-4 or proceedings initiated or threatened by the SEC for that purpose;

- adoption of the merger agreement by the affirmative vote of holders of a majority of the outstanding shares of SSE common stock;

Table of Contents

approval of the issuance of Patterson-UTI common stock pursuant to the merger agreement by the affirmative vote of holders of a majority of the shares present in person or represented by proxy and entitled to vote thereon;

authorization for the listing on the NASDAQ of the shares of Patterson-UTI common stock to be issued in connection with the merger, subject to official notice of issuance; and

expiration or termination of any waiting periods applicable to the consummation of the merger and the other transactions contemplated by the merger agreement under the HSR Act (on January 13, 2017, Patterson-UTI and SSE were notified by U.S. antitrust authorities that the early termination of the waiting period under the HSR Act had been granted);

absence of any laws, temporary restraining orders, preliminary or permanent injunctions or other orders that have the effect of making the merger illegal or otherwise prohibiting consummation of the merger.

In addition, Patterson-UTI s and Merger Sub s obligations to effect the merger are subject to the satisfaction or waiver of the following additional conditions:

each of the representations and warranties of SSE set forth in the merger agreement being true and correct as of the date of the merger agreement and as of the closing date as though made on the closing date, unless otherwise specified, except where such failures to be true and correct (without regard to qualification or exceptions contained therein as to materiality, material, in all material respects, or material adverse effect) would not be reasonably likely to have, individually or in the aggregate, a material adverse effect; provided, however, that the foregoing clause does not apply (i) in respect of certain representations and warranties contained in SSE s capital structure representation, which must be true and correct as of the date of the merger agreement and as of the closing date as though made on the closing date, except for any *de minimis* inaccuracies, (ii) in respect of SSE s representations and warranties contained in the representation regarding the absence of a material adverse effect since August 1, 2016, which must be true and correct as of the date of the merger agreement and as of the closing date as though made on and as of the closing date, (iii) in respect of SSE s representations and warranties contained in the representation regarding brokers entitled to fees or commission in connection with the merger agreement, which must be true and correct in all material respects as of the date of the merger agreement and as of the date of the closing date as though made on the closing date, (iv) in respect of SSE s representations and warranties contained in the representation regarding the applicability of Section 203 of the DGCL to the Company, which must be true and correct in all material respects as of the date of the merger agreement and as of the date of the closing date as though made on the closing date and (v) in respect of SSE s representations and warranties contained in the representation regarding authority to execute the merger agreement and absence of conflict, which must be true and correct in all material respects as of the date of the merger agreement and as of the date of the closing date as though made on the closing date;

performance of, or compliance with, in all material respects, all covenants and obligations required to be performed or complied with by SSE under the merger agreement on or prior to the closing date;

receipt by Patterson-UTI of a certificate executed by the chief executive officer and the chief financial officer of SSE, dated as of the closing date, confirming the satisfaction of the conditions described in the preceding two bullet points;

receipt by Patterson-UTI of a tax opinion from its counsel, dated as of the closing date, that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code;

SSE or any of its subsidiaries not incurring one or more material losses the value of which exceed, or would reasonably be expected to exceed, individually or in the aggregate, $100 million during the pre-closing period; and

the indebtedness less cash and cash equivalents (the net debt) of SSE and its subsidiaries not exceeding $500 million and SSE furnishing to Patterson-UTI and Merger Sub a certificate executed by

Table of Contents

the chief executive officer and chief financial officer of SSE, dated as of the closing date, confirming that the net debt of SSE and its subsidiaries as of the closing date does not exceed $500 million and setting forth SSE s calculation of the net debt of SSE and its subsidiaries.

In addition, SSE s obligations to effect the merger are subject to the satisfaction or waiver of the following additional conditions:

each of the representations and warranties of Patterson-UTI set forth in the merger agreement being true and correct as of the date of the merger agreement and as of the closing date as though made on the closing date, unless otherwise specified, except where such failures to be true and correct (without regard to qualification or exceptions contained therein as to materiality, material, in all material respects, or material adverse effec would not be reasonably likely to have, individually or in the aggregate, a material adverse effect; provided, however, that the foregoing clause does not apply, (i) in respect of certain representations and warranties contained in SSE s capital structure representation, which must be true and correct as of the date of the merger agreement and as of the closing date as though made on and as of the closing date, except for any *de minimis* inaccuracies, (ii) in respect of Patterson-UTI s representations and warranties contained in the representation regarding the absence of a material adverse effect since December 31, 2015, which must be true and correct as of the date of the merger agreement and as of the closing date as though made on the closing date, (iii) in respect of Patterson-UTI s representations and warranties contained in the representation regarding brokers entitled to fees or commission in connection with the merger agreement, which must be true and correct in all material respects as of the date of the merger agreement and as of the closing date as though made on the closing date and (iv) in respect of Patterson-UTI s representations and warranties contained in the representation regarding authority to execute the merger agreement and absence of conflict, which must be true and correct in all material respects as of the date of the merger agreement and as of the date of the closing date as though made on the closing date;

performance of, or compliance with, in all material respects all covenants and obligations required to be performed or complied with by Patterson-UTI under the merger agreement on or prior to the closing date;

receipt by SSE of a certificate executed by the chief executive officer and the chief financial officer of Patterson-UTI, dated as of the closing date, certifying the satisfaction of the conditions described in the preceding two bullet points; and

receipt by SSE of a tax opinion from its special counsel, dated as of the closing date, that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code;

Patterson-UTI or any of its subsidiaries not incurring one or more material losses the value of which exceed, or would reasonably be expected to exceed, individually or in the aggregate, $300 million during the pre-closing period; and

the net debt of Patterson-UTI and its subsidiaries not exceeding $725 million plus any indebtedness incurred to refinance SSE s existing indebtedness or pay transaction costs, and Patterson-UTI furnishing to SSE a certificate executed by the chief executive officer and chief financial officer of Patterson-UTI, dated as of the closing date, confirming that the net debt of Patterson-UTI and its subsidiaries as of the closing date does not exceed $725 million plus any indebtedness incurred to refinance SSE s existing indebtedness or pay transaction costs.

Termination of the Merger Agreement

The merger agreement may be terminated prior to the effective time under the following circumstances:

by mutual written consent of Patterson-UTI and SSE;

Table of Contents

by either Patterson-UTI or SSE:

if the merger is not consummated by on or before 5:00 p.m. Central Time on June 30, 2017 (or August 31, 2017 in the event such date is extended as provided for in the merger agreement) unless the failure to close by that date is due to the failure of the terminating party to perform any of its material covenants or agreements under the merger agreement;

if any governmental entity issues a final and nonappealable order, or takes any other action, permanently restraining, enjoining or otherwise prohibiting the consummation of the merger or a legal requirement is in place which permanently makes the completion of the merger illegal or otherwise prohibits the consummation of the merger;

if the SSE stockholders fail to adopt the merger agreement at the SSE special meeting; or

if the Patterson-UTI stockholders fail to approve the issuance of Patterson-UTI common stock in the merger at the Patterson-UTI special meeting;

by Patterson-UTI:

prior to obtaining approval of the SSE stockholders, if (i) the SSE board of directors makes a change of recommendation, (ii) SSE fails to include the SSE board recommendation in this joint proxy statement/prospectus or (iii) SSE, its subsidiaries, any SSE directors or officers, any stockholders party to the voting agreements or any designated representative of SSE materially violates or breaches the non-solicitation covenants of the merger agreement;

if (i) SSE s representations and warranties were inaccurate as of the date of the merger agreement such that the condition regarding the accuracy of SSE s representations in the merger agreement would not be satisfied, (ii) SSE s representations and warranties become inaccurate as of a date subsequent to the date of the merger agreement, such that the condition regarding the accuracy of SSE s representations in the merger agreement would not be satisfied, or (ii) SSE breaches any of its covenants, such that the condition regarding SSE s covenants in the merger agreement would not be satisfied;

by SSE:

prior to obtaining approval of the Patterson-UTI stockholders, if (i) the Patterson-UTI board of directors makes a change of recommendation, (ii) Patterson-UTI fails to include the Patterson-UTI board recommendation in this joint proxy statement/prospectus or (iii) Patterson-UTI, its subsidiaries, any Patterson-UTI directors or officers or any designated representative of Patterson-UTI materially violates or breaches the non-solicitation or stockholder meeting covenants of the merger agreement;

if (i) Patterson-UTI s representations and warranties were inaccurate as of the date of the merger agreement such that the condition regarding the accuracy of Patterson-UTI s representations in the merger agreement would not be satisfied, (ii) Patterson-UTI s representations and warranties become inaccurate as of a date subsequent to the date of the merger agreement, such that the condition regarding the accuracy of Patterson-UTI s representations in the merger agreement would not be satisfied, or (iii) Patterson-UTI breaches any of its covenants, such that the condition regarding Patterson-UTI s covenants in the merger agreement would not be satisfied.

Effect of Termination

If the merger agreement is terminated by either party in accordance with its terms, the merger agreement (except for the confidentiality agreement between Patterson-UTI and SSE and certain provisions expressly listed in the merger agreement, which will survive such termination) will have no further force or effect there will be no liabilities or obligations of any party, except: (i) with respect to any applicable termination fees or (ii) for fraud or any willful and intentional breach of any representation, warranty, covenant, or other provision contained in the merger agreement, in which case the aggrieved party shall be entitled to all rights and remedies available at law or in equity. See Third Party Beneficiaries beginning on page 144.

Termination Fees and Expenses

The merger agreement provides that SSE will be obligated to pay Patterson-UTI a termination fee of $40,000,000 if the merger agreement is terminated:

- by Patterson-UTI prior to obtaining approval of the SSE stockholders, if (i) the SSE board of directors makes a change of recommendation, (ii) SSE fails to include the SSE board recommendation in this joint proxy statement/prospectus or (iii) any SSE directors or executive officers, any stockholders party to the voting agreements or any designated representative of SSE, materially violates or breaches the non-solicitation covenants of the merger agreement;

- by Patterson-UTI because SSE breaches any of its covenants, such that SSE s condition regarding covenants in the merger agreement would not be satisfied and, on or before the date of any such termination a SSE acquisition proposal shall have been announced, disclosed, or otherwise communicated to the SSE board or directors; and either (i) a definitive agreement is entered into by SSE with respect to a SSE acquisition transaction or (ii) a SSE acquisition transaction is consummated within 12 months of such termination of the merger agreement;

- by Patterson-UTI or SSE because the SSE stockholders fail to adopt the merger agreement at the SSE special meeting; (i) on or before the date of the SSE stockholder meeting, a SSE acquisition proposal is announced, disclosed or otherwise communicated to the SSE board of directors and (ii) a definitive agreement is entered into by SSE with respect to a SSE acquisition transaction or a SSE acquisition transaction is consummated within 12 months of such termination of the merger agreement; or

- by any party at any time during which the merger agreement was otherwise terminable due to any of the above circumstances that would entitle Patterson-UTI to a $40,000,000 termination fee under the merger agreement.

The merger agreement provides that Patterson-UTI will be obligated to pay SSE a termination fee of $100,000,000 if the merger agreement is terminated:

- by SSE prior to the time the Patterson-UTI required stockholders vote is obtained because a Patterson-UTI superior proposal causes (i) a Patterson-UTI change in recommendation or (ii) Patterson-UTI to fail to include the Patterson-UTI board recommendation in this joint proxy statement/prospectus.

- by either Patterson-UTI or SSE after the Patterson-UTI stockholder meeting and (i) the Patterson-UTI stockholders fail to approve of the merger and (ii) on or before the date of the Patterson-UTI stockholder meeting, a Patterson-UTI acquisition proposal is announced, disclosed or otherwise communicated to the

Patterson-UTI board of directors (a pending parent acquisition proposal) and (iii) a definitive agreement is entered into by Patterson-UTI with respect to a Patterson-UTI acquisition or a Patterson-UTI acquisition transaction is consummated within 12 months of such termination of the merger agreement, in each case with either the person who proposed the pending parent acquisition proposal or with a third party who makes a Patterson-UTI acquisition proposal following the termination of the merger agreement if such Patterson-UTI acquisition proposal (a) is determined by the Patterson-UTI board of directors to be more favorable from a financial point of view to the Patterson-UTI stockholders than all pending acquisition proposals and (b) was announced, disclosed or otherwise communicated to the Patterson-UTI board of directors during the period beginning on the date on which any pending parent acquisition proposal was announced, disclosed or otherwise communicated to the Patterson-UTI board of directors and ending on the date that is one month after the date on which Patterson-UTI and its representatives ceased engaging in discussions or negotiations with respect to any pending parent acquisition proposal.

by SSE because Patterson-UTI breaches any of its covenants, such that Patterson-UTI s condition regarding covenants in the merger agreement would not be satisfied, and (i) on or before the date of any such termination a pending Patterson-UTI acquisition proposal shall have been announced, disclosed, or otherwise communicated to the Patterson-UTI board of directors and (ii) a definitive agreement is entered into by Patterson-UTI with respect to a Patterson-UTI acquisition transaction or a Patterson-UTI acquisition transaction is consummated within 12 months of such termination of the merger agreement, in each case with either the person who proposed the pending parent acquisition proposal or with a third party who makes a Patterson-UTI acquisition proposal following the termination of the merger agreement if such Patterson-UTI acquisition proposal (a) is determined by the Patterson-UTI board of directors to be more favorable from a financial point of view to the Patterson-UTI stockholders than all pending acquisition proposals and (b) was announced, disclosed or otherwise communicated to the Patterson-UTI board of directors during the period beginning on the date on which any pending parent acquisition proposal was announced, disclosed or otherwise communicated to the Patterson-UTI board of directors and ending on the date that is one month after the date on which Patterson-UTI and its representatives ceased engaging in discussions or negotiations with respect to any pending parent acquisition proposal.

by any party at any time during which the merger agreement was otherwise terminable due to any of the above circumstances that would entitle SSE to a $100,000,000 termination fee under the merger agreement.

The merger agreement provides that Patterson-UTI will be obligated to pay SSE a termination fee of $40,000,000 if the merger agreement is terminated:

by SSE prior to the time the Patterson-UTI require stockholders vote is obtained because a Patterson-UTI intervening event causes (i) a Patterson-UTI change in recommendation or (ii) Patterson-UTI to fail to include the Patterson-UTI board recommendation in this joint proxy statement/prospectus. A Patterson-UTI intervening event means a material development or change in circumstances that occurs or arises after the date of the merger agreement that was not known to (a) the Patterson-UTI board of directors, (b) any executive officer of Patterson-UTI or (c) any other officer of Patterson-UTI holding the title of President or higher that is in charge of any business unit or operating subsidiary of Patterson-UTI, in each case as of the date of the merger agreement; *provided*, *however*, that a Patterson-UTI acquisition proposal or any matter relating thereto or of consequence is not a Patterson-UTI intervening event.

by any party at any time during which the merger agreement was otherwise terminable due to any of the above circumstances that would entitle SSE to a $40,000,000 termination fee under the merger agreement.

The merger agreement also provides for an expense reimbursement in an amount not to exceed $7,500,000 in respect of bona fide, out of pocket expenses of a party actually incurred in connection with the merger agreement in the event of the merger agreement is terminated if either the Patterson-UTI stockholders fail to approve the issuance of Patterson-UTI common stock in the merger at the Patterson-UTI special meeting or the SSE stockholders fail to adopt the merger agreement at the SSE special meeting (the expense reimbursement). The expense reimbursement shall be paid by the party who failed to obtain the requisite stockholder approval to the other party.

Amendments, Extensions and Waivers

The merger agreement may be amended at any time prior to the effective time by the parties, by action taken or authorized by the board of directors of Patterson-UTI and SSE, whether before or after the SSE stockholder vote and the Patterson-UTI stockholder vote shall have been obtained; provided, however, that after the SSE stockholder vote and the Patterson-UTI stockholder vote shall have been obtained, no amendment shall be made

Table of Contents

to the merger agreement that by law requires further approval or authorization by the stockholders of SSE or Patterson-UTI without such further approval or authorization. The merger agreement may not be amended, except by an instrument in writing signed by or on behalf of each of the parties.

Third Party Beneficiaries

While the merger agreement is generally not intended to confer upon any person other than Patterson-UTI, SSE and Merger Sub any rights or remedies, it provides limited exceptions, including that SSE s directors and officers will continue to have indemnification and liability insurance coverage after the completion of the merger and these rights may be enforced by such officers and directors, as more fully described in The Merger Agreement Indemnification and Insurance beginning on page 138.

Specific Performance

Patterson-UTI and SSE agreed under the merger agreement that irreparable damage would occur in the event that any of the provisions of the merger agreement were not performed in accordance with the terms of the merger agreement or were otherwise breached and that monetary damages, even if available, would not be an adequate remedy. In addition, the parties agreed that, prior to a termination of the merger agreement in accordance with its terms, they will be entitled to temporary, preliminary, or permanent injunctive relief to prevent breaches of the merger agreement or to enforce specifically the performance of terms and provisions of the merger agreement, without posting any bond or other undertaking. The parties further agreed not to raise any objections to the availability of the equitable remedy of specific performance to prevent or restrain breaches or threatened breaches of, or to enforce compliance with, the covenants and obligations of such party under the merger agreement.

Voting and Support Agreements

In connection with the execution of the merger agreement, certain affiliates of Axar Capital Management, LLC, BlueMountain Capital Management, LLC and Mudrick Capital Management, L.P. entered into voting and support agreements with Patterson-UTI. The SSE stockholders that executed the voting and support agreements have agreed to vote all shares of SSE common stock held by them in favor of the adoption of the merger and against alternative transactions. As of the date of this joint proxy statement/prospectus, those stockholders hold and are entitled to vote in the aggregate approximately 59% of the issued and outstanding shares of SSE common stock entitled to vote at the SSE special meeting. In the event that SSE s board of directors changes its recommendation that SSE stockholders adopt the merger agreement, all of the SSE stockholders that executed the voting and support agreement, taken together, will be required to vote shares that, in the aggregate, represent 39.99% of the issued and outstanding shares of SSE common stock in favor of the adoption of the merger agreement, with each such stockholder being able to vote the balance of its shares of SSE common stock on such proposal in such stockholder s sole discretion.

Subject to certain exceptions, each voting and support agreement also contains prohibitions applicable to each of the SSE stockholders that executed the voting and support agreements that are consistent with the non-solicitation provisions of the merger agreement. Pursuant to each voting and support agreement, each SSE stockholder party is restricted from selling or transferring shares of SSE common stock owned by such stockholder, subject to certain exceptions.

Except in certain instances, each voting and support agreement will terminate upon the earliest to occur of:

(i) the consummation of the merger;

(ii) six months following the date of termination of the merger agreement, if such termination is a result of (a) a change in recommendation by SSE s board of directors, (b) SSE failing to include the recommendation of its board of directors in this joint proxy statement/prospectus in breach of the merger

Table of Contents

agreement, (c) a material breach by certain of SSE s affiliates of the non-solicitation covenant in the merger agreement, (d) a material breach by SSE of its covenant related to the SSE special meeting, or (e) if the requisite approval of adoption of the merger agreement from SSE stockholders is not obtained;

(iii) the termination of the merger agreement if such termination is not made pursuant to (ii) above; and

(iv) with respect to each of the SSE stockholders that executed the voting and support agreements, the entry into, without the prior written consent of such stockholder, any amendment or modification of the merger agreement which results in any decrease in or change in composition of the merger consideration.

Except in instances connected with the consummation of the merger, prior to the closing or the termination of the merger agreement, each SSE stockholder party is restricted from (i) transferring or entering into any agreement to transfer any SSE securities or warrants, (ii) depositing any securities into a voting trust, or (iii) agreeing to enter into a voting agreement, grant of proxy or consent of power of attorney that would be inconsistent with the voting and support agreement. In addition, prior to the closing or the termination of the merger agreement, each voting and support agreement restricts each SSE stockholder party from exercising any demand or similar right provided by SSE in the registration rights agreement dated August 1, 2016 and from transferring any Patterson-UTI common stock.

Each voting and support agreement restricts each SSE stockholder party from transferring shares of Patterson-UTI common stock for the period commencing on the closing date and ending on the earlier to occur of: (i) 30 days following the date that Patterson-UTI raises $400 million in gross proceeds through equity issuances or the incurrence of long-term debt and (ii) 90 days following the closing date; provided, that if the 30-day period referred to in clause (i) expires prior to the closing date, then such stockholders will not be subject to any post-closing transfer restrictions with respect to shares of Patterson-UTI common stock.

Table of Contents

PROPOSALS FOR THE PATTERSON-UTI SPECIAL MEETING

Patterson-UTI Proposal 1 Issuance of Shares of Patterson-UTI Common Stock

For a summary and detailed information regarding this proposal, see the information about the merger and issuance of Patterson-UTI common shares in connection with the merger contained throughout this joint proxy statement/prospectus, including the information set forth in the sections titled The Merger beginning on page 69.

A copy of the merger agreement is attached to this joint proxy statement/prospectus as Annex A.

Under the merger agreement, approval of this proposal is a condition to the completion of the merger. If the proposal is not approved, the transactions will not be completed even if the other proposals related to the transactions are approved.

Under the NASDAQ rules, the issuance of Patterson-UTI common stock pursuant to the merger agreement requires the affirmative vote of holders of a majority of the outstanding Patterson-UTI common shares voted at the Patterson-UTI special meeting. Under the Patterson-UTI bylaws, the proposed issuance of Patterson-UTI common stock requires the affirmative vote of a majority of the shares of Patterson-UTI common stock, present in person or represented by proxy at the Patterson-UTI special meeting and entitled to vote thereon, assuming a quorum is present.

The Patterson-UTI board of directors unanimously approved the merger agreement, the merger and the other transactions contemplated by the merger agreement, and declared the merger agreement, the merger and the other transactions contemplated by the merger agreement (including the issuance of shares of Patterson-UTI common stock to SSE stockholders in connection with the merger) to be advisable and fair to and in the best interests of Patterson-UTI stockholders. The Patterson-UTI board of directors unanimously recommends that Patterson-UTI stockholders vote FOR the proposal to approve the issuance of shares of Patterson-UTI common stock to SSE stockholders in connection with the merger.

Patterson-UTI Proposal 2 Possible Adjournment of the Patterson-UTI Special Meeting

If Patterson-UTI fails to receive a sufficient number of votes to approve Patterson-UTI Proposal 1, Patterson-UTI may propose to adjourn the special meeting, even if a quorum is present, for the purpose of soliciting additional proxies to approve Patterson-UTI Proposal 1. Patterson-UTI currently does not intend to propose adjournment of the Patterson-UTI special meeting if there are sufficient votes to approve Patterson-UTI Proposal 1.

The proposal to adjourn the Patterson-UTI special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of a majority of the shares of Patterson-UTI common stock, present in person or represented by proxy at the Patterson-UTI special meeting and entitled to vote on the proposal, regardless of whether there is a quorum.

The Patterson-UTI board of directors unanimously recommends that Patterson-UTI s stockholders vote FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

Table of Contents

PROPOSALS FOR THE SSE SPECIAL MEETING

SSE Proposal 1 Merger Agreement

For a summary and detailed information regarding this proposal, see the information about the merger agreement, the merger and the transactions contemplated by the merger agreement throughout this joint proxy statement/prospectus, including the information set forth in sections titled The Merger Agreement beginning on page 121. A copy of the merger agreement is attached as Annex A to this joint proxy statement/prospectus.

Under the merger agreement, approval of this proposal is a condition to the completion of the merger. If the proposal is not approved, the merger with Patterson-UTI and the transactions will not be completed even if the other proposals related to the transactions are approved.

Adoption of the merger agreement, the merger and the other transactions contemplated by the merger agreement and approval of the transactions contemplated by the merger agreement requires the affirmative vote of a majority of the outstanding shares of SSE common stock entitled to vote thereon.

The SSE board of directors unanimously approved the merger agreement, the merger and the other transactions contemplated by the merger agreement, and declared the merger agreement, the merger and the other transactions contemplated by the merger agreement to be advisable and fair to and in the best interests of SSE stockholders. The SSE board of directors unanimously recommends that SSE stockholders vote FOR the proposal to adopt the merger agreement.

SSE Proposal 2 Advisory (Non-Binding) Vote on Compensation

Section 14A of the Exchange Act, which was enacted as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, requires that SSE provide its stockholders with the opportunity to vote to approve, on a non-binding, advisory basis, the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger, as disclosed in this joint proxy statement/prospectus, including the compensation table and the related narrative named executive officer compensation disclosures set forth in The Merger Interests of SSE s Directors and Executive Officers in the Merger beginning on page 109. This vote is commonly referred to as a golden parachute say on pay vote. Accordingly, SSE s stockholders are being provided with the opportunity to cast an advisory vote on those change of control payments.

Accordingly, SSE is seeking approval of the following resolution at the special meeting:

RESOLVED, that SSE s stockholders approve, on an advisory (non-binding) basis, the compensation of SSE s named executive officers in connection with the merger, as disclosed pursuant to Item 402(t) of Regulation S-K under the heading The Merger Interests of SSE s Directors and Executive Officers in the Merger (which disclosure includes the compensation table and related narrative named executive officer compensation disclosures required pursuant to Item 402(t) of Regulation S-K).

Approval, on an advisory (non-binding) basis, of the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger requires the affirmative vote of a majority of the voting power of the outstanding shares present in person or represented by proxy at the meeting and entitled to vote thereon, assuming a quorum is present.

The proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger is a vote separate and apart from the vote on the proposal to adopt the merger agreement. Accordingly, a SSE stockholder may vote to approve one proposal and not the other. Because the vote on the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger is advisory in nature only, it will not be binding on SSE or Patterson-UTI, and the approval of that proposal is not a condition to the completion of the merger.

Table of Contents

The SSE board of directors unanimously recommends that SSE s stockholders vote FOR the approval, on an advisory (non-binding) basis, of the compensation that may be paid or become payable to SSE s named executive officers in connection with the merger.

SSE Proposal 3 Possible Adjournment of the SSE Special Meeting

If SSE fails to receive a sufficient number of votes to approve SSE Proposal 1, SSE may propose to adjourn the special meeting, even if a quorum is present, for the purpose of soliciting additional proxies to approve SSE Proposal 1. SSE currently does not intend to propose adjournment of the SSE special meeting if there are sufficient votes to approve SSE Proposal 1.

The proposal to adjourn the SSE special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of a majority of the voting power of the outstanding shares present in person or represented by proxy at the meeting and entitled to vote thereon, regardless of whether there is a quorum.

The SSE board of directors unanimously recommends that SSE s stockholders vote FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

Table of Contents

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following is a general discussion of the material U.S. federal income tax consequences of the merger to U.S. holders (as defined below) of SSE common stock that exchange their shares of SSE common stock for shares of Patterson-UTI common stock in the merger. This discussion is limited to U.S. holders who hold their SSE common stock as a capital asset (generally, property held for investment). This discussion is based on current provisions of the Code, U.S. Treasury regulations promulgated thereunder, judicial interpretations thereof and administrative rulings and published positions of the Internal Revenue Service (the IRS), each as in effect as of the date hereof, and all of which are subject to change or differing interpretations, possibly with retroactive effect, and any such change or differing interpretation could affect the accuracy of the statements and conclusions set forth herein.

For these purposes, a U.S. holder is a beneficial owner of SSE common stock that, for U.S. federal income tax purposes, is:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (i) the administration of which is subject to the primary supervision of a U.S. court and which has one or more United States persons who have the authority to control all substantial decisions of the trust or (ii) which has made a valid election under applicable U.S. Treasury regulations to be treated as a United States person.

If a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds SSE common stock, the tax treatment of a partner in such partnership generally will depend upon the status of the partner, upon the activities of the partnership and upon certain determinations made at the partner level. Accordingly, persons that, for U.S. federal income tax purposes, are treated as a partner in a partnership holding SSE common stock should consult their own tax advisors regarding the U.S. federal income tax consequences of the merger to them.

This discussion is for general information only and does not purport to address all aspects of U.S. federal income taxation that may be relevant to a U.S. holder of SSE common stock in light of that holder s particular circumstances or to a U.S. holder subject to special rules under the U.S. federal income tax laws (such as, for example, dealers or brokers in securities, commodities or foreign currencies, traders in securities that elect to apply a mark-to-market method of accounting, banks and certain other financial institutions, insurance companies, mutual funds, tax-exempt organizations, holders subject to the alternative minimum tax, partnerships, S corporations or other pass-through entities (or investors in such partnerships, S corporations or such other pass-through entities), regulated investment companies, real estate investment trusts, certain former citizens or long-term residents of the United States, holders whose functional currency is not the U.S. dollar, holders who have perfected their appraisal rights, holders who hold shares of SSE common stock as part of a hedge, straddle, constructive sale or conversion transaction or other integrated investment, holders who acquired SSE common stock pursuant to the exercise of employee stock options, through a tax qualified retirement plan or otherwise as compensation or holders who actually or constructively own more than 5% of SSE common stock). This discussion does not address any considerations under U.S. federal tax laws other than those pertaining to the income tax, nor does it address any considerations under the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010 or any state, local or non-U.S. tax laws. Furthermore, it does not address any tax consequences to holders who are not U.S. holders.

This discussion of the material U.S. federal income tax consequences of the merger is for general information only and is not intended to be, and should not be construed as, tax advice. Holders of SSE

Table of Contents

common stock should consult their own tax advisors with respect to the particular tax consequences to them of the merger, including the applicability and effect of any U.S. federal, U.S. state or local or non-U.S. tax laws or any applicable tax treaty.

Treatment of the Merger

SSE and Patterson-UTI intend for the merger to qualify as a reorganization within the meaning of Section 368(a) of the Code. It is a condition to the obligation of SSE to complete the merger that SSE receive an opinion from Wachtell, Lipton, Rosen & Katz, dated as of the closing date, to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. It is a condition to the obligation of Patterson-UTI to complete the merger that Patterson-UTI receive an opinion from Vinson & Elkins LLP, dated as of the closing date, to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. These opinions will be based on customary assumptions and representations from SSE and Patterson-UTI, as well as on certain covenants and undertakings by Patterson-UTI and SSE. If any of the representations, assumptions, covenants or undertakings upon which those opinions are based is incorrect, incomplete, inaccurate or violated, the validity of the opinions may be affected and the tax consequences of the merger could differ from those described in this joint proxy statement/prospectus.

An opinion of counsel represents counsel s best legal judgment but is not binding on the IRS or any court. Neither Patterson-UTI nor SSE intends to obtain a ruling from the IRS with respect to the tax consequences of the merger. Accordingly, there can be no assurance that the IRS will not assert, or that a court would not sustain, a position contrary to that contained in such opinions.

U.S. Federal Income Tax Consequences of the Merger to U.S. Holders

In General

Accordingly, on the basis of the opinions described above, the U.S. federal income tax consequences of the merger to U.S. holders of SSE common stock generally will be as follows:

- a U.S. holder of SSE common stock who exchanges shares of SSE common stock for shares of Patterson-UTI common stock pursuant to the merger generally will not recognize gain or loss, except with respect to cash received instead of fractional shares of Patterson-UTI common stock (as discussed below);

- a U.S. holder of SSE common stock will have an aggregate tax basis in the Patterson-UTI common stock received in the merger (including any fractional shares deemed received and redeemed for cash as described below) equal to the aggregate adjusted tax basis in the shares of SSE common stock surrendered in the merger; and

- a U.S. holder of SSE common stock will have a holding period for the shares of Patterson-UTI common stock received in the merger (including any fractional shares deemed received and redeemed for cash as described below) that includes the holding period of the shares of SSE common stock surrendered in the merger.

If a U.S. holder acquired different blocks of SSE common stock at different times or at different prices, the Patterson-UTI common stock such holder receives will be allocated *pro rata* to each block of SSE common stock exchanged for such Patterson-UTI common stock, and the basis and holding period of each block of Patterson-UTI common stock received will be determined on a block-for-block basis depending on the basis and holding period of the blocks of SSE common stock exchanged for such Patterson-UTI common stock.

Receipt of Cash for Fractional Shares

Each U.S. holder of SSE common stock who receives cash in lieu of a fractional share of Patterson-UTI common stock generally will be treated as having received such fractional share of Patterson-UTI common stock pursuant to the merger and then as having sold such fractional share for cash. Any such holder will recognize gain or loss equal to the difference between the amount of cash received and the basis in the holder s fractional share of Patterson-UTI common stock (as set forth above). Such gain or loss generally will be long-term capital gain or loss if, as of the effective date of the merger, the holding period for such fractional share (as described above) exceeds one year. Long-term capital gains of certain non-corporate taxpayers, including individuals, are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Backup Withholding

Payments of cash to a U.S. holder of SSE common stock pursuant to the merger may, under certain circumstances, be subject to backup withholding (currently, at a rate of 28%) unless the holder furnishes its correct taxpayer identification number and certifies that it is not subject to backup withholding on IRS Form W-9 or is otherwise exempt from backup withholding and provides appropriate proof of the applicable exemption. Backup withholding does not constitute an additional tax, but is merely an advance payment that may be refunded or credited against a U.S. holder s U.S. federal income tax liability if the required information is timely supplied to the IRS.

Table of Contents

ACCOUNTING TREATMENT

Patterson-UTI prepares its financial statements in accordance with GAAP. The merger will be accounted for using the acquisition method of accounting with Patterson-UTI being considered the acquirer of SSE for accounting purposes. This means that Patterson-UTI will allocate the purchase price to the fair value of SSE s tangible and intangible assets and liabilities at the acquisition date, with the excess purchase price being recorded as goodwill. Under the acquisition method of accounting, goodwill is not amortized but is tested for impairment at least annually.

Table of Contents

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2015 and for the nine months ended September 30, 2016 combine the historical consolidated statements of operations of Patterson-UTI and SSE, giving effect to the merger as if it had occurred on January 1, 2015. The unaudited pro forma condensed combined balance sheet as of September 30, 2016 combines the historical condensed consolidated balance sheets of Patterson-UTI and SSE, giving effect to the merger as if it had occurred on September 30, 2016. The historical condensed consolidated financial statements have been adjusted in the unaudited pro forma condensed combined financial statements to give effect to pro forma events that are (1) directly attributable to the merger, (2) factually supportable and (3) with respect to the statements of operations, expected to have a continuing impact on the combined results. The unaudited pro forma condensed combined financial statements should be read in conjunction with the accompanying notes to the unaudited pro forma condensed combined financial statements. In addition, the unaudited pro forma condensed combined financial statements were based on and should be read in conjunction with the:

- separate historical financial statements of Patterson-UTI as of and for the year ended December 31, 2015 and the related notes included in Patterson-UTI s Annual Report on Form 10-K for the year ended December 31, 2015, which are incorporated by reference into this joint proxy statement/prospectus;

- separate historical financial statements of SSE as of and for the year ended December 31, 2015 and the related notes included in this joint proxy statement/prospectus;

- separate historical financial statements of Patterson-UTI as of and for the nine months ended September 30, 2016 and for the seven months ended July 31, 2016 and the related notes included in Patterson-UTI s Quarterly Report on Form 10-Q for the period ended September 30, 2016, which are incorporated by reference into this joint proxy statement/prospectus; and

- separate historical financial statements of SSE as of and for the two months ended September 30, 2016 and for the seven months ended July 31, 2016 and the related notes included in this joint proxy statement/prospectus.

The unaudited pro forma condensed combined financial statements have been presented for informational purposes only. Such pro forma information is not necessarily indicative of what the combined company s financial position or results of operations actually would have been had the merger been completed as of the dates indicated. In addition, the unaudited pro forma condensed combined financial statements do not purport to project the future financial position or operating results of the combined company.

The unaudited pro forma condensed combined financial statements have been prepared using the acquisition method of accounting under U.S. generally accepted accounting principles, and the regulations of the SEC. All material transactions between Patterson-UTI and SSE during the periods presented in the unaudited pro forma condensed combined financial statements have been eliminated. Patterson-UTI will be considered the acquirer in the merger for accounting purposes. The acquisition accounting is dependent upon certain valuations and other studies that have yet to commence or progress to a stage where there is sufficient information for a definitive measurement. Accordingly, the pro forma adjustments are preliminary and have been made solely for the purpose of providing these unaudited pro forma condensed combined financial statements. Differences between these preliminary estimates and the final acquisition accounting will occur, and these differences could have a material impact on the accompanying unaudited pro forma condensed combined financial statements and the combined company s future results of operations and financial position.

The unaudited pro forma condensed combined financial statements do not reflect any cost savings, operating synergies or revenue enhancements that the combined company may achieve as a result of the merger, the costs to integrate the operations of Patterson-UTI and SSE, or the costs necessary to achieve any such cost savings, operating synergies or revenue enhancements.

Table of Contents

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

As of September 30, 2016

(in thousands)

	Patterson-UTI	SSE	Reclass Adjustments		Pro Forma Adjustments		Pro Forma Combined
ASSETS							
Current assets:							
Cash and cash equivalents	$ 36,972	$ 23,004					$ 59,976
Accounts receivable, net	146,013	109,328					255,341
Federal and state income taxes receivable	3,838						3,838
Inventory	19,851	11,303	(8,284)	A			22,870
Deferred tax assets, net	34,897				680	B	35,577
Other	38,722	14,547	3,700	A			56,969
Total current assets	280,293	158,182	(4,584)		680		434,571
Property and equipment, net	3,511,740	791,463	4,584	A	175,306	C	4,483,093
Goodwill	86,234				683,434	D	769,668
Intangibles, net	3,643				41,860	E	45,503
Deposits on equipment purchases	17,700						17,700
Note receivable		20,827					20,827
Other	9,263	2,481			(1,194)	F	10,550
Total assets	$ 3,908,873	$ 972,953	$		$ 900,086		$ 5,781,912
LIABILITIES AND STOCKHOLDERS EQUITY							
Current liabilities:							
Accounts payable and accrued expenses	$ 236,391	$ 64,271			$ 16,590	G	$ 354,723
					35,161	H	
					2,310	I	
Current portion of long-term debt		5,000			(5,000)	J	
Total current liabilities	236,391	69,271			49,061		354,723
Borrowings under revolving credit facility	15,000				382,022	J	397,022
Other long-term debt	598,351	423,347			(423,347)	J	598,351
Deferred tax liabilities, net	724,564				(37,948)	B	749,091
					62,475	K	
Other	10,441	1,875					12,316

Total liabilities	1,584,747	494,493			32,263		2,111,503
Stockholders equity:							
Common stock	1,036,683	514,988			(514,988)	L	2,399,556
					1,362,873	M	
Retained earnings	2,197,424	(36,528)			36,528	L	2,180,834
					(16,590)	G	
Accumulated other comprehensive income (loss)	675						675
Treasury stock, at cost	(910,656)						(910,656)
Total stockholders equity	2,324,126	478,460			867,823		3,670,409
Total liabilities and stockholders equity	$ 3,908,873	$ 972,953	$		$ 900,086		$ 5,781,912

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

154

Table of Contents

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For the year ended December 31, 2015

(in thousands, except per share amounts)

	Patterson-UTI	SSE Predecessor	Reclass Adjustments		Pro Forma Adjustments		Pro Forma Combined
Operating revenues:							
Contract drilling	$ 1,153,892	$ 436,404					$ 1,590,296
Pressure pumping	712,454	575,495					1,287,949
Oilfield rentals		76,587					76,587
Oilfield trucking		42,739					42,739
Oil and natural gas	24,931						24,931
Other		19	(19)	AA			
Total operating revenues	1,891,277	1,131,244	(19)				3,022,502
Operating costs and expenses:							
Contract drilling	608,848	231,544					840,392
Pressure pumping	612,021	494,554	(954)	BB			1,083,718
			(21,903)	CC			
Oilfield rentals		68,317					68,317
Oilfield trucking		54,674					54,674
Oil and natural gas	11,500						11,500
Other		6,781	(5,137)	DD			1,644
Depreciation, depletion, amortization and impairment	864,759	314,053	21,903	CC	(335,956)	EE	1,021,432
					32,970	FF	
					123,703	GG	
Impairment of goodwill	124,561	27,434					151,995
Selling, general and administrative	74,913	112,141	954	BB			193,145
			5,137	DD			
Loss on sale of a business		35,027					35,027
Other operating expense, net	1,647	14,656					16,303
Total operating costs and expenses	2,298,249	1,359,181			(179,283)		3,478,147

Operating (loss) income	(406,972)	(227,937)	(19)		179,283		(455,645)	
Other income (expense):								
Interest income	964						964	
Interest expense, net of amount capitalized	(36,475)	(99,267)			99,267	HH	(46,386)	
					(9,911)	II		
Other	34	13,185	19	AA			13,238	
Total other income (expense)	(35,477)	(86,082)	19		89,356		(32,184)	
(Loss) income before income taxes	(442,449)	(314,019)			268,639		(487,829)	
Income tax (benefit) expense	(147,963)	(92,628)			94,024	JJ	(146,567)	
Net (loss) income	$ (294,486)	$ (221,391)	$		$ 174,615		$ (341,262)	
Net loss per common share:								
Basic and Diluted	$ (2.00)	$ (4.42)					$ (1.75)	
Weighted average number of common shares outstanding:								
Basic and Diluted	145,416	50,096			(537)		194,975	KK

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

Table of Contents

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For the nine months ended September 30, 2016

(in thousands, except per share amounts)

	Patterson-UTI	SSE Successor 2 months	SSE Predecessor 7 months	Reclass Adjustments		Pro Forma Adjustments		Pro Forma Combined
Operating revenues:								
Contract drilling	$ 407,578	$ 42,969	$ 154,794			$		$ 605,341
Pressure pumping	248,428	30,540	160,723					439,691
Oilfield Rentals		6,147	18,402					24,549
Oil and natural gas	12,973							12,973
Total operating revenues	668,979	79,656	333,919					1,082,554
Operating costs and expenses:								
Contract drilling	219,218	18,836	57,573					295,627
Pressure pumping	234,580	38,724	158,569	(654)	BB			421,862
				(9,357)	CC			
Oilfield Rentals		5,688	20,172					25,860
Other		380	700					1,080
Oil and natural gas	5,586							5,586
Depreciation, depletion, amortization and impairment	511,209	31,208	168,541	9,357	CC	(209,106)	EE	607,337
						3,351	FF	
						92,777	GG	
Selling, general and administrative	51,671	16,601	66,667	654	BB			135,593
Other operating (income) expense, net	(10,285)	(798)	848					(10,235)
Total operating costs and expenses	1,011,979	110,639	473,070			(112,978)		1,482,710
Operating (loss) income	(343,000)	(30,983)	(139,151)			112,978		(400,156)

Other income (expense):								
Interest income	273						273	
Interest expense, net of amount capitalized	(31,722)	(6,185)	(48,116)		54,301	HH	(40,566)	
					(8,844)	II		
Other	52	640	(27,574)				(26,882)	
Total other income (expense)	(31,397)	(5,545)	(75,690)		45,457		(67,175)	
(Loss) income before income taxes	(374,397)	(36,528)	(214,841)		158,435		(467,331)	
Income tax (benefit) expense	(133,885)		(59,131)		55,452	JJ	(137,564)	
Net (loss) income	$ (240,512)	$ (36,528)	$ (155,710)	$	$ 102,983		$ (329,767)	
Net loss per common share:								
Basic and Diluted	$ (1.65)	$ (1.66)	$ (2.84)				$ (1.69)	
Weighted average number of common shares outstanding:								
Basic and Diluted	146,014	22,041	54,832		(27,314)		195,573	KK

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

Table of Contents

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Description of Transaction

On December 12, 2016, Patterson-UTI Energy, Inc., a Delaware corporation (Patterson-UTI), entered into an Agreement and Plan of Merger (the merger agreement) with Seventy Seven Energy Inc., a Delaware corporation (SSE), and Pyramid Merger Sub, Inc., a Delaware corporation and a direct, wholly owned subsidiary of Patterson-UTI (Merger Sub), pursuant to which Patterson-UTI will acquire SSE in exchange for newly issued shares of Patterson-UTI common stock, par value $0.01 per share. The merger agreement provides that, upon the terms and subject to the conditions set forth therein, Merger Sub will be merged with and into SSE, with SSE continuing as the surviving entity and a wholly owned subsidiary of Patterson-UTI (the merger).

Under the terms and conditions of the merger agreement, at the effective time, each issued and outstanding share of SSE common stock, other than shares owned by SSE and its wholly owned subsidiaries, shares owned by Patterson-UTI or Merger Sub and shares for which appraisal rights held by SSE stockholders have been perfected in compliance with Section 262 of the DGCL, will be converted into the right to receive a number of shares of Patterson-UTI common stock equal to the exchange ratio. The exchange ratio will be equal to 49,559,000 shares of Patterson-UTI common stock, divided by the total number of shares of SSE common stock outstanding or deemed outstanding immediately prior to the effective time (which includes (i) shares of SSE common stock outstanding as a result of the exercise of warrants to acquire SSE common stock, (ii) shares of SSE common stock deemed outstanding as a result of the vesting of SSE restricted stock unit awards that existed prior to the execution of the merger agreement, (iii) any shares of SSE common stock subject to perfected appraisal rights, (iv) shares of SSE common stock that underlie restricted stock unit awards that SSE issues on or after the execution of the merger agreement and (v) 50% of any shares of SSE common stock that have been tendered to SSE on or after August 1, 2016 for the purposes of satisfying tax withholding obligations upon the vesting of SSE restricted stock unit awards); *provided* that, in the event that any Series A warrants to acquire shares of SSE common stock are forfeited or net settled, such 49,559,000 shares of Patterson-UTI common stock will be reduced by a number equal to (i) the aggregate exercise price for the warrants that are forfeited or net settled, divided by (ii) the volume weighted average price of a share of Patterson-UTI common stock for the ten consecutive trading days immediately preceding the third business day prior to the closing. In no event will Patterson-UTI issue more than 49,559,000 shares of its common stock as merger consideration. Annex B of this joint proxy statement/prospectus sets forth illustrative calculations of the exchange ratio.

In connection with the merger, each SSE restricted stock unit award granted prior to December 12, 2016 that is outstanding as of the effective time will fully vest immediately prior to the closing of the merger and be treated as shares of SSE common stock and receive the merger consideration in respect of each share of SSE common stock subject to the award. In addition, at the effective time, each SSE restricted stock unit award granted on or following December 12, 2016 will be assumed by Patterson-UTI and converted into a restricted stock unit award, with the same terms and conditions as in effect immediately prior to the effective time, covering a number of shares of Patterson-UTI common stock equal to (i) the number of shares of SSE common stock subject to the award immediately prior to the effective time, multiplied by (ii) the exchange ratio, rounded to the nearest whole share.

Note 2 Basis of Presentation

The merger is reflected in the unaudited pro forma condensed combined financial statements pursuant to the acquisition method of accounting. Under the acquisition method, the total estimated purchase price as described in

Note 3 will be measured at the closing date of the merger using the market price of Patterson-UTI common stock at that time. This may result in a merger consideration value that is different from that assumed for purposes of preparing these unaudited pro forma condensed combined financial statements. The assets and liabilities of SSE have been measured at fair value based on various preliminary estimates using assumptions that Patterson-UTI management believes are reasonable utilizing information currently available. Use of different estimates and assumptions could yield materially different results. There are limitations on the type of information that can be exchanged between Patterson-UTI and SSE at this time. As such until the merger is complete, Patterson-UTI will not have complete access to all relevant information.

Table of Contents

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The process for estimating the fair values of identifiable intangible assets and certain tangible assets requires the use of significant estimates and assumptions, including estimating future cash flows. The excess of the purchase price over the estimated amounts of identifiable assets and liabilities of SSE as of the effective date of the merger will be allocated to goodwill. The purchase price allocation is subject to finalization of Patterson-UTI s analysis of the fair value of the assets and liabilities of SSE as of the effective date of the merger. Accordingly, the purchase price allocation in the unaudited pro forma condensed combined financial statements is preliminary and will be adjusted upon completion of the final analysis of the fair value of the assets and liabilities of SSE. Such adjustments could be material.

In accordance with the SEC s rules and regulations, the unaudited pro forma condensed combined financial statements do not reflect any cost savings, operating synergies or revenue enhancements that the combined company may achieve as a result of the merger or the costs to integrate the operations of Patterson-UTI and SSE or the costs necessary to achieve any such cost savings, operating synergies or revenue enhancements.

Upon completion of the merger, Patterson-UTI will perform a detailed review of SSE s accounting policies. As a result of that review, Patterson-UTI may identify differences between the accounting policies of the two companies that, when conformed, could have a material impact on the consolidated financial statements of the combined company.

Upon completion of the merger, further review of SSE s financial statements may result in revisions to SSE s historical presentation to conform to Patterson-UTI s presentation.

Note 3 Estimate of Consideration Expected to be Transferred

The following is a preliminary estimate of the consideration expected to be transferred to effect the acquisition of SSE.

(in thousands, except exchange ratio and per share amounts)

Equity Consideration:		
Number of shares of SSE common stock outstanding as of September 30, 2016	22,280	
Number of SSE in-the-money warrants outstanding as of September 30, 2016	3,882	
Number of SSE restricted stock unit awards vesting on change of control	1,528	
Number of SSE retention restricted stock unit awards	270	
	27,960	
Multiplied by the exchange ratio	1.7725	
Patterson-UTI shares of common stock to be issued in connection with the merger	49,559	
Patterson-UTI common stock share price on January 19, 2017	$ 27.50	
Common stock equity consideration		1,362,873

Other Consideration	
SSE Long-Term Debt to be repaid by Patterson-UTI	474,500
Estimate of consideration expected to be transferred(a)	$ 1,837,373

(a) The estimated consideration expected to be transferred reflected in these unaudited pro forma condensed combined financial statements does not purport to represent what the actual consideration transferred will be when the merger is completed. The fair value of equity securities issued as part of the consideration transferred is required to be measured on the closing date of the merger at the then-current market price of Patterson-UTI common stock. This requirement will likely result in an equity component different from what has been assumed in these unaudited pro forma condensed combined financial statements, and that difference may be material.

Table of Contents

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Assuming a $1.00 change in the market price of Patterson-UTI s common stock, the estimated consideration transferred would increase or decrease by approximately $49.6 million, which would be reflected in these unaudited pro forma condensed combined financial statements as an increase or decrease to goodwill. Furthermore, based on the Patterson-UTI common stock share price on January 19, 2017, for every 10% change in the market price of Patterson-UTI s common stock, the estimated consideration transferred would increase or decrease by approximately $136 million, which would result in a corresponding increase or decrease in goodwill.

Note 4 Estimate of Assets to be Acquired and Liabilities to be Assumed

The following is a preliminary estimate of the assets to be acquired and the liabilities to be assumed by Patterson-UTI, reconciled to the estimate of consideration expected to be transferred:

		(in thousands)
Book value of assets acquired at September 30, 2016	$	972,953
Less: SSE liabilities acquired at September 30, 2016		(66,146)
Less: SSE deferred financing fees on loan facility not assumed by Patterson-UTI		(1,194)
Less: SSE transaction costs		(35,161)
Add: Proceeds on exercise of SSE warrants		92,478
Add: Deferred tax asset revaluation		38,628
Adjusted book value of the net assets acquired		1,001,558
Fair value adjustments to:		
Fixed assets		175,306
Intangible assets		41,860
Intangible liabilities		(2,310)
Deferred tax liabilities		(62,475)
Goodwill		683, 434
Total fair value adjustments		835,815
Estimate of consideration expected to be transferred	$	1,837,373

The following is a discussion of the adjustments made to SSE s assets and liabilities in connection with the preparation of these unaudited pro forma condensed combined financial statements.

Fixed Assets: For purposes of these unaudited pro forma condensed combined financial statements, Patterson-UTI has estimated that the fair value adjustment to write-up fixed assets to fair value will be approximately $175 million. This estimate of fair value is preliminary and subject to change once Patterson-UTI has sufficient information as to the specific types, nature, age, condition and location of SSE s fixed assets.

Table of Contents

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Intangible Assets and Liabilities: The fair value of identifiable intangible assets and liabilities was determined primarily using the income approach, which requires a forecast of all of the expected future cash flows as the primary input into either the discounted cash flow method, the relief-from-royalty method or the multi-period excess earnings method. Some of the more significant assumptions inherent in the estimation of intangible asset values include: the amount and timing of projected future cash flows, the differential between contractual cash flows and market driven cash flows, the discount rate selected to measure the risks inherent in the future cash flows, the assessment of the asset s life cycle and various other factors. For purposes of these unaudited pro forma condensed combined financial statements, using certain high-level assumptions, the fair value of the identifiable intangible assets, their weighted average useful lives and the resulting amortization expense for the periods presented have been estimated as follows:

			Amortization Expense	
	Estimated Fair Value (in thousands)	Weighted Average Estimated Useful Life (in years)	Nine Months Ended September 30, 2016 (in thousands)	Year Ended December 31, 2015 (in thousands)
Assets				
Customer relationships	$ 4,040	7	$ 433	$ 577
Favorable drilling contracts	37,430	2	2,820	34,573
Tradename	390	3	98	130
	$ 41,860		3,351	35,280
Liabilities				
Unfavorable drilling contracts	$ 2,310	1		(2,310)
			$ 3,351	$ 32,970

These preliminary estimates of fair value and estimated useful life will likely be different from the final acquisition accounting, and the difference could have a material impact on the accompanying unaudited pro forma condensed combined financial statements. A 10% change in the valuation of intangible assets would cause a corresponding increase or decrease in annual amortization expense of approximately $2.5 million, assuming an overall weighted average useful life of 1.7 years. Once Patterson-UTI has full access to the specifics of SSE s intangible assets, additional insight will be gained that could impact: (i) the estimated total value assigned to intangible assets and (ii) the estimated weighted average useful life of each category of intangible assets. The estimated intangible asset values and related useful lives could be impacted by a variety of factors that may become known to Patterson-UTI only upon access to the additional information and/or changes in such factors that may occur prior to the effective time of the merger.

Deferred Tax Liabilities: As of the effective date of the merger, adjustments will be made for deferred taxes as part of the accounting for the acquisition. These adjustments reflect the estimated deferred tax liability impact of the acquisition on the pro forma condensed combined balance sheet, primarily relating to estimated fair value adjustments for acquired fixed assets and intangible assets. For purposes of these unaudited pro forma condensed combined financial statements, deferred taxes are provided at the 35% U.S. federal statutory income tax rate.

Goodwill: Goodwill is calculated as the difference between the acquisition date fair value of the consideration expected to be transferred and the values assigned to the identifiable assets acquired and liabilities assumed. Goodwill is not amortized, but rather is subject to impairment testing on at least an annual basis.

Table of Contents

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 5 Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet

(A) Reclassification made to SSE s historical balance sheet to conform to Patterson-UTI presentation. Patterson-UTI limits the inventory line item to items for sale and as such drilling supplies are treated as other current assets and fixed assets not yet in service are treated as property and equipment as opposed to SSE presentation.

(B) To record value to the deferred tax assets of SSE that Patterson-UTI will be able to benefit from as Patterson-UTI does not require a valuation allowance against its deferred tax assets. The non-current portion of the deferred tax asset has been shown as a contra liability as the pro forma entity has an overall non-current deferred tax liability.

(C) To adjust for the estimated differences between the carrying value and fair value of SSE s fixed assets. See Note 4 for further details.

(D) To record the estimated goodwill created as a result of this transaction. See Note 4 for further details.

(E) To record the estimated fair value of identifiable intangible assets. See Note 4 for further details.

(F) To remove SSE deferred financing costs on a lending facility not assumed by Patterson-UTI.

(G) Reflects an estimate of Patterson-UTI s transaction related costs. Transaction costs related to the merger with SSE, including advisory, legal fees, retention and severance payments. These amounts will be expensed as incurred and are not reflected in the unaudited pro forma condensed combined statements of operations because they will not have a continuing impact.

(H) Reflects an estimate of SSE s merger-related transaction costs, including advisory and legal fees as well as amounts relating to employee benefits such as change in control payments and restricted stock unit vesting. These amounts will be expensed by SSE as incurred and, while not reflected in the unaudited pro forma condensed combined statements of operations because they will not have a continuing impact, they are reflected as a retained earnings adjustment on the pro forma balance sheet.

(I) To record the estimated fair value of identifiable intangible liabilities for unfavorable drilling contracts.

(J) To record the repayment of SSE long-term debt at gross value of $475 million with $92.5 million of proceeds from the exercise of SSE warrants and $382 million from borrowing on Patterson-UTI s revolving credit facility. The difference between the gross value of the SSE long-term debt and the fair value reflected on SSE s September 30, 2016 balance sheet increased goodwill.

(K) Represents the estimated deferred tax liability related to the fair value adjustments made to assets acquired and liabilities assumed, excluding goodwill, as calculated below:

Establish deferred tax liabilities (assets) for the following (in thousands):

Identified intangible assets	$ 41,860
Identified intangible liabilities	(2,310)
Increase in the basis of fixed assets	175,306
Write-off of SSE deferred financing fees	(1,194)
SSE transaction costs	(35,161)
	178,501
U.S. federal statutory tax rate	35%
	$ 62,475

161

Table of Contents

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(L) Reflects adjustments to eliminate SSE s historical equity balances.

(M) To record the fair value of the equity consideration to be issued. See Note 3 for further details.

Note 6 Adjustments to Unaudited Pro Forma Condensed Combined Statements of Operations

(AA) Certain reclassifications have been made to SSE s historical statement of operations for the year ended December 31, 2015 to conform to SSE s presentation income for the nine months ended September 30, 2016, which is consistent with Patterson-UTI s presentation. In 2015, SSE reported rent income in operating revenue as opposed to other income.

(BB) Certain reclassifications have been made to SSE s historical statement of operations to conform with Patterson-UTI s presentation. SSE s historical statement of operations includes certain selling expenses in operating costs whereas Patterson-UTI reports certain selling expenses in selling, general and administrative line item in the statement of operations.

(CC) Certain reclassifications have been made to SSE s historical statement of operations to conform with Patterson-UTI s presentation. Fluid ends, an integral component of a frac pump unit, are expensed by SSE when placed in service. Patterson-UTI treats a fluid end as a fixed asset and depreciates over the estimated useful life. The pro forma assumes that depreciation expense approximates the amount expensed by SSE. The cost of fluid pumps expensed by SSE as an operating expense has been reclassed to depreciation expense.

(DD) Certain reclassifications have been made to SSE s historical statement of operations for the year ended December 31, 2015 to conform to SSE s presentation for the nine months ended September 30, 2016, which is consistent with Patterson-UTI s presentation. In 2015, SSE accounted for the costs to operate its supply chain function as an operating expense but in 2016 reported these expenses as general and administrative.

(EE) To eliminate SSE s adjusted historical depreciation and intangible asset amortization expense.

(FF) Reflects amortization expense associated with intangible assets recorded in this transaction. See Note 4 for further details.

(GG) Represents depreciation expense associated with the estimated fair value of SSE s fixed assets. Depreciation was calculated by asset class over an average estimated life relevant for that class of assets. The average estimated life on an aggregate basis was approximately 8 years.

(HH) To eliminate SSE s historical interest expense under its previous capital structure as none of the historical debt of SSE can be assumed by Patterson-UTI in connection with the acquisition due to covenants under Patterson-UTI s revolving credit facility.

(II) To record the estimate of interest expense that Patterson-UTI would have incurred on the $382 million that Patterson-UTI would need to finance to complete the acquisition (See Note 5J). Interest was computed at Patterson-UTI s applicable borrowing rate under Patterson-UTI s revolving credit facility during the respective periods.

(JJ) Patterson-UTI has assumed a 35% tax rate when estimating the tax impacts of the appropriate pro forma adjustments, which represents the U.S. federal statutory tax rate. The effective tax rate of the combined company could be significantly different from what is presented in these unaudited pro forma condensed combined financial statements for a variety of reasons, including post-merger activities.

Table of Contents

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The tax impact of the pro forma adjustments has been calculated as follows ($ in thousands):

	Year Ended December 31, 2015	Nine Months Ended September 30, 2016
Elimination of SSE s historical depreciation and amortization expense	$ 335,956	$ 209,106
Elimination of SSE s historical interest expense	99,267	54,301
Assumed interest expense on replacement debt	(9,911)	(8,844)
Amortization expense associated with fair value SSE intangible assets	(32,970)	(3,351)
Depreciation expense associated with fair value SSE fixed assets	(123,703)	(92,777)
Pro forma reduction in expense	268,639	158,435
U.S. federal statutory tax rate	35%	35%
Tax expense relating to pro forma reduction in expenses	$ 94,024	$ 55,452

(KK) Represents the adjusted weighted-average shares outstanding calculated as follows (in thousands):

	Year Ended December 31, 2015	Nine Months Ended September 30, 2016
Patterson-UTI weighted average historical shares outstanding	145,416	146,014
New Patterson-UTI shares of common stock to be issued	49,559	49,559
Weighted average number of diluted common shares outstanding	194,975	195,573

163

Table of Contents

COMPARATIVE STOCK PRICE DATA AND DIVIDENDS

Stock Prices

Shares of Patterson-UTI common stock are listed for trading on the NASDAQ under the symbol PTEN. Shares of SSE common stock are traded on the OTC Grey under the symbol SVNT. The following table sets forth the closing sales prices per share of Patterson-UTI common stock and SSE common stock on an actual and equivalent per share basis, on the NASDAQ and OTC Grey, respectively, on the following dates:

December 12, 2016, the last full trading day prior to the public announcement of the merger, and

, 2017, the last trading day for which this information could be calculated prior to the date of this joint proxy statement/prospectus.

	Patterson-UTI Common Stock	SSE Common Stock	SSE Equivalent Per Share(1)
December 12, 2016	$ 28.67	$ 26.35	$ 50.82
, 2017	$	$	$

(1) The equivalent per share data for SSE common stock has been determined by multiplying the market price of one share of Patterson-UTI common stock on each of the dates by the exchange ratio of 1.7725. Such exchange ratio assumes that all Series A warrants to acquire SSE common stock are exercised for cash and that no additional shares of SSE common stock or SSE restricted stock units are issued after December 12, 2016.

The following table sets forth, for the periods indicated, the high and low sales prices per share of Patterson-UTI common stock on the NASDAQ and SSE common stock on the New York Stock Exchange (the NYSE) and the OTC Pink and OTC Grey composite transaction reporting systems, respectively. For current price information, you should consult publicly available sources.

	Patterson-UTI		SSE	
Calendar Period	High	Low	High	Low
Year ended December 31, 2014				
First Quarter	$ 31.95	$ 24.37	$	$
Second Quarter(1)	35.42	30.24	28.34	23.47
Third Quarter	38.43	31.12	27.17	21.89
Fourth Quarter	33.28	14.01	24.39	4.54
Year ended December 31, 2015				
First Quarter	$ 19.70	$ 13.30	$ 5.88	$ 3.06
Second Quarter	23.11	18.30	6.14	3.82
Third Quarter	18.80	12.97	4.08	1.38
Fourth Quarter	17.45	12.82	1.73	0.90

Year ended December 31, 2016				
First Quarter	$ 18.75	$ 10.94	$ 1.10	$ 0.25
Second Quarter(2)	22.12	16.06	0.83	0.06
Third Quarter(3)	22.66	17.61	19.20	0.07
Fourth Quarter	29.56	20.79	45.00	19.00
Year ending December 31, 2017				
First Quarter (through January 20, 2017)	$ 29.02	$ 27.15	$ 48.20	$ 44.50

(1) SSE began trading on the NYSE on June 17, 2014 following its spin-off from Chesapeake Energy Corporation.

(2) SSE was permanently suspended from trading on the NYSE on May 17, 2016 and consequently its last day of trading on the NYSE was May 16, 2016. SSE traded on the OTC Pink market under SSEI from May 18, 2016 until June 8, 2016, and under SSEIQ from June 8, 2016 until August 2, 2016.

(3) SSE began trading on OTC Grey under SVNT on August 17, 2016.

Table of Contents

Dividends

Patterson-UTI currently issues a quarterly dividend. On October 26, 2016, Patterson-UTI announced that the Patterson-UTI board of directors declared a dividend of $0.02 per share of outstanding Patterson-UTI common stock, which will be paid on December 22, 2016 to Patterson-UTI stockholders of record at the close of business on December 8, 2016. Any future decisions to pay dividends on Patterson-UTI common stock will be at the discretion of the Patterson-UTI board of directors and will depend on the financial condition, results of operations, capital requirements, and other factors that the Patterson-UTI board of directors may deem relevant. The merger agreement prohibits Patterson-UTI (unless consented to in advance by SSE, which consent may not be unreasonably withheld, delayed or conditioned) from paying dividends, except for Patterson-UTI s quarterly cash dividends of no more than $0.02 per share, to holders of Patterson-UTI common stock until the earlier of the effective time and the termination of the merger agreement in accordance with its terms.

SSE does not currently pay dividends does not anticipate declaring or providing any cash dividends to holders of SSE common stock in the foreseeable future. The merger agreement prohibits SSE (unless consented to in advance by Patterson-UTI, which consent may not be unreasonably withheld, delayed or conditioned) from paying dividends to holders of SSE common stock until the earlier of the effective time and the termination of the merger agreement in accordance with its terms.

Table of Contents

COMPARISON OF RIGHTS OF PATTERSON-UTI

STOCKHOLDERS AND SSE STOCKHOLDERS

The following description summarizes the rights of Patterson-UTI stockholders and SSE stockholders but does not purport to be a complete statement of all such rights or a complete description of the specific provisions referred to in this summary. The identification of specific differences is not intended to indicate that other equally significant or more significant differences do not exist. You should read carefully the relevant provisions of (i) the Second Amended and Restated Bylaws of Patterson-UTI, dated as of August 1, 2007 and the Restated Certificate of Incorporation of Patterson-UTI, dated as of May 8, 2001, as amended by the Certificate of Amendment to the Restated Certificate of Incorporation of Patterson-UTI, dated as of June 29, 2004, and as further amended by the Certificate of Elimination, dated as of October 26, 2011 and (ii) the Bylaws of SSE, dated as of August 1, 2016 (the SSE bylaws) and the Certificate of Incorporation of SSE, dated as of July 22, 2016 (the SSE certificate of incorporation). Copies of the documents referred to in this summary may be obtained in the manner described under Where You Can Find More Information.

In connection with its emergence from bankruptcy, SSE entered into the Stockholders Agreement (the Stockholders Agreement), dated as of August 1, 2016, with certain holders named therein (the Stockholders Agreement Stockholders), which contains certain terms relating to, among other items, (i) the composition of, and rights of the Stockholders Agreement Stockholders to nominate members for election to, the board of directors of SSE and (ii) the required approval by the Stockholders Agreement Stockholders with respect to certain actions of SSE. A SSE Stockholder will cease to be a party to, or otherwise have rights under, the Stockholders Agreement at such time as such SSE Stockholder (together with its affiliates) ceases to own at least 5% of the outstanding SSE common stock.

	SSE	**Patterson-UTI**
Authorized Capital	SSE has authority to issue up to 100,000,000 shares of capital stock, consisting of (i) 90,000,000 shares of common stock, par value $0.01 per share and ii) 10,000,000 shares of preferred stock, par value $0.01 per share.	Patterson-UTI has authority to issue up to 301,000,000 shares of capital stock, consisting of (i) 300,000,000 shares of common stock, par value $0.01 per share and (ii) 1,000,000 shares of preferred stock, par value $0.01 per share.
	As of the close of business on January 20, 2017, SSE had 22,920,668 shares of common stock and no shares of preferred stock issued and outstanding.	As of the close of business on January 20, 2017, Patterson-UTI had 148,165,455 shares of common stock and no shares of preferred stock issued and outstanding.
		It is estimated that Patterson-UTI will issue up to 49,559,000 shares of Patterson-UTI common stock to SSE stockholders, calculated pursuant to the

exchange ratio, assuming all in-the-money Series A SSE warrants are exercised for cash and no other additional shares of SSE common stock are issued prior to the effective time of the merger.

Table of Contents

	SSE	Patterson-UTI
Preferred Stock	The board of directors of SSE is authorized, subject to the limitations prescribed by law, the provisions of the SSE certificate of incorporation and the Stockholders Agreement, to provide for the issuance of shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each such series, and to fix the number, rights, powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof.	The board of directors of Patterson-UTI is authorized, subject to the limitations prescribed by law and the Patterson-UTI certificate of incorporation, to provide for the issuance of shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each such series, and to fix the number, rights, powers, designations, preferences and other special rights, and the qualifications, limitations or restrictions thereof.
Voting Rights	Each holder of SSE common stock is entitled to one vote for each share of SSE common stock held of record by such holder on all matters on which stockholders generally are entitled to vote.	Each holder of Patterson-UTI common stock is entitled to one vote for each share of Patterson-UTI common stock held of record by such holder on all matters on which stockholders generally are entitled to vote.
Dividends	The board of directors of SSE may, from time to time, declare dividends on its outstanding shares of capital stock.	The board of directors of Patterson-UTI may, from time to time, declare dividends payable to holders of Patterson-UTI common stock.
	Under the DGCL, the directors of a corporation may declare and pay dividends upon the shares of its capital stock either out of its surplus or, if there is no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.	Under the DGCL, the directors of a corporation may declare and pay dividends upon the shares of its capital stock either out of its surplus or, if there is no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.
Number and Qualification of Directors	Subject to the terms of the Stockholders Agreement, the number of directors, other than those who	The number of directors may be determined from time to time by amendment of the Patterson-UTI

may be elected by the holders of one or more series of preferred stock voting separately by class or series, may be determined from time to time by the board of directors of SSE.	bylaws or by resolution of the board of directors of Patterson-UTI.
	The board of directors of Patterson-UTI currently has seven directors.
The board of directors of SSE currently has seven directors.	
	Under Delaware law, directors need not be stockholders of Patterson-UTI or residents of Delaware.

Table of Contents

	SSE	Patterson-UTI
	Under Delaware law, directors need not be stockholders of SSE or residents of Delaware.	
Term of Office	Subject to the terms of the Stockholders Agreement, each director will serve for a term ending on the date of the next annual meeting following the annual meeting at which such director was elected; provided, that the term of each director will continue until the election and qualification of a successor and be subject to such director s earlier death, resignation or removal.	Each director will serve for a term ending on the date of the next annual meeting following the annual meeting at which such director was elected; provided, that the term of each director will continue until the election and qualification of a successor and be subject to such director s earlier death, resignation or removal.
Election of Directors	Subject to the terms of the Stockholders Agreement and to the rights of the holders of one or more series of preferred stock, directors are elected by a plurality of the votes validly cast by the stockholders present in person or represented by proxy at the meeting and entitled to vote thereon.	Individuals receiving the greatest number of votes at an annual or special meeting will be the directors. Each director will, as a condition to his or her appointment or election as a director or nomination as a director, agree in writing to comply with the terms of Patterson-UTI s majority voting policy and provide to the board of directors an irrevocable resignation that will be effective upon (i) the failure to receive the required vote at the next annual meeting at which such director faces re-election and (ii) the board of directors acceptance of such resignation.
Removal of Directors	Subject to the terms of the Stockholders Agreement, directors may be removed, with or without cause, by the stockholders, as provided in the DGCL.	Directors may be removed, with or without cause by the vote of the holders of a majority of the shares then entitled to vote at an election of directors, as provided in the DGCL.

Vacancies on the Board of Directors	Subject to the terms of the Stockholders Agreements and the rights of holders of one or more series of preferred stock then outstanding and the SSE bylaws, any vacancy occurring in the board of directors created on account of death, resignation, retirement, disqualification, removal from office or otherwise, or resulting from an increase in the authorized number of	Any vacancy occurring in the board of directors of Patterson-UTI may be filled by a majority vote of the remaining directors until an election to fill such vacancies is held. Stockholders entitled to elect directors will have the right to fill any vacancy at any meeting of the stockholders called for that purpose, and any directors elected at any such meeting will hold office for the remainder of

168

Table of Contents

	SSE	Patterson-UTI
	directors, will be filled solely by a vote of the majority of the directors then in office, even if less than a quorum, or by a sole remaining director and will not be filled by the stockholders. The directors so chosen will hold office for the remainder of the full term of such directorship and until his or her successor has been elected and qualified, subject, however, to such director s earlier death, resignation, or removal.	the full term of such directorship and until his or her successor has been elected and qualified, subject, however, to such director s earlier death, resignation, or removal.
Action by Written Consent	Any action required or permitted to be taken at any annual or special meeting of the stockholders, may be taken without a meeting, without prior notice and without a vote, if consent in writing setting forth the action to be taken is signed by the holders of outstanding stock having not less than the minimum voting power that would be necessary to authorize the action at a meeting at which all shares entitled to vote were present and voted.	Any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof if a consent in writing is signed by all members of the board of directors or of such committee.
Advance Notice Requirements for Stockholder Nominations and Other Proposals	SSE s organizational documents do not include advance notice obligations of stockholders in connection with stockholder nominations and other proposals.	*Annual Meetings* Proposals. For a stockholder proposal to be properly brought before the meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors, (ii) otherwise properly brought before the meeting by or at the direction of the board of directors, or (iii) otherwise properly brought before the meeting by a stockholder who (a) is a stockholder of record on the date of the giving of the notice and on the record date for the determination of stockholders entitled

to vote at such annual meeting and (b) gives timely notice of such business in writing to the secretary.

To be timely, a stockholder s notice must be delivered to or mailed and

Table of Contents

SSE	Patterson-UTI
	received at the principal executive offices of Patterson-UTI not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the stockholder to be timely must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the meeting was mailed or public disclosure of the annual meeting date was made, whichever occurs first.
	A stockholder s notice to the secretary must set forth: (i) a brief description of each matter desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the stockholder proposing such business, (iii) the class and number of shares of Patterson-UTI that are beneficially owned by the stockholder, (iv) any material interest of the stockholder in such business, and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.
	Nominations. Nominations of persons for election to the board of directors of Patterson-UTI may be made at a meeting of stockholders only (i) by or at the direction of the board of directors or (ii) by a stockholder who (a) is a stockholder of record on the date of the giving of the notice and on the record date for the determination of stockholders entitled to vote at such

annual meeting and (b) gives timely notice in writing to the secretary of such nomination.

Table of Contents

SSE	Patterson-UTI
	To be timely, a stockholder s notice with respect to a director nomination must be delivered to or mailed and received at the principal executive offices of Patterson-UTI not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the stockholder to be timely must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the meeting was mailed or public disclosure of the annual meeting date was made, whichever occurs first.
	The stockholder s notice must set forth (i) as to each person whom the stockholder proposes to nominate for election or re-election as director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended, or any successor regulation thereto, (ii) the name and record address of the stockholder proposing such business, (iii) the class and number of shares of Patterson-UTI that are beneficially owned by the stockholder, (iv) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination or nominations are to be made by such stockholder and

(v) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in the notice. Such notice must

171

Table of Contents

SSE	Patterson-UTI
	be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.
	Special Meetings
	Special meetings of the stockholders for any purpose or purposes may be called at any time by the board of directors (or a majority of the members thereof) by action at a meeting, a majority of the members of the board of directors acting without a meeting, the Chief Executive Officer, the President or the holders of a majority of the issued and outstanding stock of Patterson-UTI entitled to be voted at such special meeting.
	Unless waived, written notice of special meetings of the stockholders must be given by personal delivery or by mail to each stockholder of record entitled to vote at or entitled to notice of the meeting, not more than sixty (60) days nor less than ten (10) days before any such meeting and must state the place, date, and hour of the meeting.
	Special meetings of the board of directors may be called by the chairman of the board, the chief executive officer, the president, or any two members of the board of directors, and shall be held at such times and places, within or without the State of Delaware, as may be specified in such call. Any notice for a

172

Table of Contents

	SSE	Patterson-UTI
		special meeting need not state the nature of the proposed business to be conducted at the special meeting. If directors are to be elected at the special meeting, a stockholder may nominate a person to serve on the Patterson-UTI board of directors by complying with the nomination procedures described above for annual meetings.
Amendments to the Certificate of Incorporation	Pursuant to the Stockholders Agreement, any amendment to the certificate of incorporation will require the consent of the Stockholders Agreement Stockholders. In addition, pursuant to §242 of the DGCL, the SSE board of directors must adopt a resolution setting forth a proposed amendment to the SSE certificate of incorporation. The proposed amendment must be approved by holders of a majority of the outstanding SSE common stock entitled to vote on the amendment, as a single class. Under certain circumstances, §242(b)(2) of the DGCL entitles the holders of the outstanding shares of each class to vote as a class on a proposed amendment, regardless of whether entitled to vote thereon by the certificate of incorporation.	Pursuant to §242 of the DGCL, the Patterson-UTI board of directors must adopt a resolution setting forth a proposed amendment to Patterson-UTI s certificate of incorporation. The proposed amendment must be approved by holders of a majority of the outstanding Patterson-UTI stock entitled to vote on the amendment, as a single class. Under certain circumstances, §242(b)(2) of the DGCL entitles the holders of the outstanding shares of each class to vote as a class on a proposed amendment, regardless of whether entitled to vote thereon by the certificate of incorporation.
Amendments to Bylaws		

Pursuant to the Stockholders Agreement, any amendment to the bylaws will require the consent of the Stockholders Agreement Stockholders. Subject to the Stockholders Agreement, the SSE board of directors of is expressly authorized to adopt, amend, alter or repeal the bylaws with the approval of a majority of the total number of authorized directors.	The board of directors is expressly authorized to adopt, amend, alter or repeal the bylaws with the approval of a majority of the total number of authorized directors. The stockholders have the power to adopt, amend, alter or repeal the Patterson-UTI bylaws by the affirmative vote of a majority of the outstanding stock of the company.

Table of Contents

	SSE	Patterson-UTI
	Subject to the Stockholders Agreement, the stockholders have the power to adopt, amend, alter or repeal the SSE bylaws by the affirmative vote of a majority of the outstanding stock of the company.	
Quorum	Except as otherwise required by law or by the SSE certificate of incorporation, the presence, in person or by proxy, of the holders of shares of SSE s outstanding capital stock representing a majority of the voting power of all outstanding shares of capital stock entitled to vote at a meeting will constitute a quorum for the transaction of business at such meeting, except that when specified business is to be voted on by a class or series of stock voting as a class, the holders of shares representing a majority of the voting power of the outstanding shares of such class or series will constitute a quorum of such class or series for the transaction of such business.	Except as otherwise required by law or by the Patterson-UTI certificate of incorporation, the presence, in person or by proxy, of the holders of shares of Patterson-UTI s outstanding capital stock representing a majority of the voting power of all outstanding shares of capital stock entitled to vote at a meeting will constitute a quorum for the transaction of business at such meeting, except that when specified business is to be voted on by a class or series of stock voting as a class, the holders of shares representing a majority of the voting power of the outstanding shares of such class or series will constitute a quorum of such class or series for the transaction of such business.
Limitation of Personal Liability of Directors	No person who was or is a director of SSE will be personally liable to SSE or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted by the DGCL as the same exists or may be amended in the future. If the DGCL is amended to authorize corporate action further limiting or eliminating the liability of directors, then the liability of a director or its stockholders will be limited or eliminated to the fullest extent permitted by the DGCL, as so amended.	No director of Patterson-UTI will be liable to Patterson-UTI or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted by the DGCL as the same exists or may be amended in the future. If the DGCL is amended to authorize corporate action further limiting or eliminating the liability of directors, then the liability of a director or its stockholders will be limited or eliminated to the fullest extent permitted by the DGCL, as so amended.

Indemnification of Directors and Officers	SSE will indemnify and hold harmless, to the fullest extent authorized or permitted by applicable law as it presently exists or may be amended, any person who was or is made a party to or is	Patterson-UTI will indemnify and hold harmless, to the fullest extent authorized or permitted by applicable law, any director or officer against expenses (including attorneys fees), judgments, fines, settlements and

174

Table of Contents

	SSE	Patterson-UTI
	threatened to be made a party to, or is otherwise involved in, any pending or completed action, suit or proceeding by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was an officer or director of SSE or, while an officer or director of SSE, is or was serving at the request of SSE as a director, officer, employee, or agent of another corporation or of a partnership, joint venture, trust, or other enterprise or nonprofit entity, including service with respect to an employee benefit plan (a covered person), whether the basis of such proceeding is alleged action in an official capacity serving as a director, officer, employee, trustee or agent, or in any other capacity while serving as such, against all expense, liability and loss (including attorneys fees, judgments, fines, ERISA excise taxes and penalties and amounts paid in settlement) reasonably incurred or suffered by such covered person in connection with the proceeding; provided, however, that except as to proceedings to enforce rights to indemnification and advancement of expenses, SSE will indemnify such person in connection with a proceeding initiated by such covered person only if such proceeding was authorized by the SSE board of directors.	other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of Patterson-UTI; provided, however, that Patterson-UTI may modify the extent of such indemnification by individual contracts with its directors and executive officers and, provided, further, that Patterson-UTI shall not be required to indemnify any director or officer in connection with any proceeding (or part thereof) initiated by such person unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized in advance by the board of directors of Patterson-UTI, (iii) such indemnification is provided by Patterson-UTI, in its sole discretion, pursuant to the powers vested in Patterson-UTI under the General Corporation Law of Delaware or (iv) such indemnification is required to be made pursuant to an individual contract. Director or Officer of Patterson-UTI includes any person (a) who is or was a director or officer of the Patterson-UTI, (b) who is or was serving at the request of Patterson-UTI as a director, officer, manager or partner of another corporation, partnership, limited liability company, limited partnership, joint venture, trust or other enterprise, or (c) who was a director or officer of a corporation which was a predecessor corporation of Patterson-UTI or of another enterprise at the request of such predecessor corporation.
	SSE will pay the expenses (including attorneys fees) incurred by such covered person in defending any such proceeding in advance of its final disposition; provided, however, that if the DGCL or applicable law requires an advancement of expenses incurred by such person in his or her	Patterson-UTI will indemnify each of its employees and agents (other than directors and officers) against expenses (including attorneys fees), judgments,

capacity as a director or officer of SSE, that advancement will be made only upon SSE s receipt of an undertaking by or on behalf of such person to repay all amounts	fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the

Table of Contents

SSE	Patterson-UTI
advanced if it will ultimately be determined by final judicial decision that such person is not entitled to indemnification.	fact that such person is or was an agent of the Patterson-UTI. Employee or agent of Patterson-UTI (other than a director or officer) includes any person (i) who is or was an employee or agent of Patterson-UTI, (ii) who is or was serving at the request of Patterson-UTI as an employee or agent of another corporation, partnership, limited liability company, limited partnership, joint venture, trust or other enterprise, or (iii) who was an employee or agent of a corporation which was a predecessor corporation of Patterson-UTI or of another enterprise at the request of such predecessor corporation.
The rights to indemnification and advancement of expenses will continue as to a covered person who has ceased to be a director, officer, employee or agent and will continue to the benefit of his or her heirs, executors and administrators. If a claim for indemnification or payment of expenses is not paid in full within 60 days, or, in the case of claims for advancement of expenses, 20 days, after SSE has received a written claim or statement therefor, such covered person may file suit to recover the unpaid amount of the claim and, if successful in whole or in part, will be entitled to be paid the expense of prosecuting such claim. In any suit brought to enforce a right to indemnification or advancement of expenses, SSE will have the burden of proving that such covered person is not entitled to be indemnified or to be advanced expenses.	The rights conferred on any such person by the foregoing indemnification provisions are not exclusive of any other rights which such person may have or acquire.
The rights conferred on any such person by the indemnification provisions of the certificate of incorporation or the bylaws are not exclusive of any other rights which such person may have or acquire.	
SSE agrees that (i) it is the indemnitor of first resort, (ii) it will be primarily liable for all obligations and any indemnification, (iii) any	

obligation of any persons with whom a covered person may be associated to indemnify such covered person in respect of any proceeding will be secondary to the obligations of SSE, (iv) SSE will be required to indemnify each covered person to the fullest extent without regard to any rights such covered person may

Table of Contents

	SSE	Patterson-UTI
	have against any other person with whom such covered person is associated, and (v) SSE irrevocably waives, relinquishes and releases any other person with whom or which a covered person may be associated from any claim of contribution, subrogation or any other recovery of any kind in respect of amounts paid by SSE hereunder.	
Certain Business Combination Restrictions	Under §203 of the DGCL, a corporation is generally prohibited for a three- year period following the time a stockholder becomes an interested stockholder (generally a person who beneficially owns 15% or more of a corporation s voting stock), from engaging in any business combination with an interested stockholder who unless:	Under §203 of the DGCL, a corporation is generally prohibited for a three- year period following the time a stockholder becomes an interested stockholder (generally a person who beneficially owns 15% or more of a corporation s voting stock), from engaging in any business combination with an interested stockholder who unless:
	prior to the time the stockholder became an interested stockholder, the SSE board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;	prior to the time the stockholder became an interested stockholder, the Patterson-UTI board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
	the interested stockholder owned at least 85% of the voting stock of the corporation, excluding specified shares, upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder; or	the interested stockholder owned at least 85% of the voting stock of the corporation, excluding specified shares, upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder; or
	at or subsequent to the time the stockholder became an interested	at or subsequent to the time the stockholder became an interested stockholder, the business combination is approved by the Patterson-UTI board

stockholder, the business combination is approved by the SSE board of directors and authorized by the affirmative vote, at an annual or special meeting and not by written consent, of at least 66 2/3% of the outstanding voting shares of the corporation, excluding shares held by that interested stockholder.	of directors and authorized by the affirmative vote, at an annual or special meeting and not by written consent, of at least 66 2/3% of the outstanding voting shares of the corporation, excluding shares held by that interested stockholder.

Table of Contents

SSE	Patterson-UTI
A business combination generally includes:	A business combination generally includes:
mergers, consolidations and sales or other dispositions of 10% or more of the assets of a corporation to or with an interested stockholder;	mergers, consolidations and sales or other dispositions of 10% or more of the assets of a corporation to or with an interested stockholder;
specified transactions resulting in the issuance or transfer to an interested stockholder of any capital stock of the corporation or its subsidiaries; and	specified transactions resulting in the issuance or transfer to an interested stockholder of any capital stock of the corporation or its subsidiaries; and
other transactions resulting in a disproportionate financial benefit to an interested stockholder.	other transactions resulting in a disproportionate financial benefit to an interested stockholder.
A corporation may elect not to be governed by §203 of the DGCL. Because SSE did not opt out of §203, it is governed by §203 of the DGCL. The board of directors of SSE adopted resolutions approving the merger, rendering this statute inapplicable.	A corporation may elect not to be governed by §203 of the DGCL. Because Patterson-UTI did not opt out of §203, it is governed by §203 of the DGCL.

APPRAISAL RIGHTS

The holders of Patterson-UTI common stock are not entitled to appraisal rights in connection with the merger under Delaware law.

The holders of SSE common stock are entitled to appraisal rights in connection with the merger under Delaware law. SSE common stock held by stockholders that do not vote for approval of the merger and make a demand for appraisal in accordance with Delaware law will not be converted into Patterson-UTI common stock, but will be converted into the right to receive from the combined company consideration determined in accordance with Delaware law. See The Merger Appraisal Rights beginning on page 116.

Table of Contents

INFORMATION ABOUT SSE

Unless otherwise indicated herein, the information in this section Information about SSE describes information related to SSE as of December 31, 2015. All references to we, our and us in this section Information About SSE refer to S

Description of Business

SSE is an Oklahoma City, Oklahoma-based independent oilfield services company that provides a wide range of wellsite services and equipment to U.S. land-based exploration and production customers operating in unconventional resource plays. SSE offers services and equipment that are strategic to its customers oil and natural gas operations. SSE s services include drilling, hydraulic fracturing and oilfield rentals. SSE s operations are geographically diversified across many of the most active oil and natural gas plays in the onshore United States, including the Anadarko and Permian Basins and the Eagle Ford, Haynesville, Marcellus, Niobrara and Utica Shales.

On June 30, 2014, SSE separated from CHK in a series of transactions, which is referred to in this joint proxy statement/prospectus as the spin-off. Prior to the spin-off, SSE was an Oklahoma limited liability company operating under the name Chesapeake Oilfield Operating, L.L.C. and an indirect, wholly-owned subsidiary of CHK. As part of the spin-off, SSE converted to an Oklahoma corporation operating under the name Seventy Seven Energy Inc. All of the equity in SSE was distributed pro rata to CHK s shareholders and SSE became an independent, publicly traded company.

Information About SSE

SSE makes available free of charge on its website at *www.77nrg.com* its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after it electronically files such material with or furnishes it to the SEC.

SSE s Operating Segments

SSE conducts its business through three operating segments: Drilling, Hydraulic Fracturing and Oilfield Rentals. For financial information pertaining to SSE s operating segments, please read Management s Discussion and Analysis of Financial Condition and Results of Operations December 31, 2015 and Management s Discussion and Analysis of Financial Condition and Results of Operations September 30, 2016 beginning on page 192.

Drilling

SSE s drilling segment is operated through its wholly-owned subsidiary, Nomac Drilling, L.L.C., and provides land drilling services for oil and natural gas exploration and production activities.

Drilling rig fleet. SSE s rig fleet is categorized into three operational Tiers. All of SSE s Tier 1 and Tier 2 rigs are electronically driven and equipped with top drives. SSE s AC powered Tier 1 and DC powered Tier 2 rigs are predominantly equipped with 1,600 horsepower mud pumps. As of December 31, 2015, approximately 79% of SSE s Tier 1 and Tier 2 rigs were multi-well pad capable, equipped with skidding or walking systems. SSE s Tier 3 rig is a mechanical drive rig that is currently active.

As of December 31, 2015, SSE s marketed fleet of 91 rigs consisted of 33 Tier 1 rigs, including 22 proprietary PeakeRigs , 57 Tier 2 rigs and one Tier 3 rig. Additionally, SSE had four additional contracted PeakeRigs under construction, one of which has been delivered and three of which are scheduled to be delivered during the remainder of 2016. SSE s PeakeRigs are designed for long lateral drilling of multiple wells from a single location, which makes them well suited for unconventional resource development. SSE is pursuing a strategy of upgrading its fleet to better align with industry demand for multi-well pad drilling in unconventional resource plays.

Table of Contents

Drilling customers and contracts. SSE s customers, as operators of the wells that it services, engage SSE and pay its fees. These contracts provide for drilling services on a well-by-well basis or for a term of a certain number of days or a certain number of wells. As of December 31, 2015, all of SSE s drilling contracts were daywork contracts. A daywork contract generally provides for a basic rate per day when drilling (the day rate for providing a rig and crew) and for lower rates when the rig is moving, or when drilling operations are interrupted or restricted by equipment breakdowns, adverse weather conditions or other certain conditions beyond SSE s control. In addition, daywork contracts may provide for a lump-sum fee for the mobilization and demobilization of the rig, which in most cases approximates SSE s incurred costs. Many of SSE s drilling contracts are also subject to termination by the customer. Under certain of these contracts, SSE has agreed to allow customers to pay the termination cost over the life of the contract in lieu of a lump sum, and SSE refers to a rig in this circumstance as idle but contracted or IBC. IBC payments are structured to preserve SSE s anticipated operating margins for the affected rigs through the end of the contract terms.

Hydraulic Fracturing

SSE s hydraulic fracturing segment is operated through its wholly-owned subsidiary, Performance Technologies, L.L.C. (PTL), and provides high-pressure hydraulic fracturing (or frac) services and other well stimulation services.

Hydraulic fracturing services. As of December 31, 2015, SSE owned 11 hydraulic fracturing fleets with an aggregate of 440,000 horsepower, and six of these fleets were contracted in the Anadarko Basin and the Eagle Ford and Utica Shales. SSE s equipment had an average age of approximately three and one-half years as of December 31, 2015.

Hydraulic fracturing process. The fracturing process consists of pumping a fracturing fluid into a well at sufficient pressure to fracture the formation. The fracturing fluid is mainly water, which is mixed with specialty additives. Materials known as proppants, primarily sand or sand coated with resin, are suspended in the fracturing fluid and are pumped into the fracture to prop it open. The fracturing fluid is designed to break, or lose viscosity, and be forced out of the formation by its pressure, leaving the proppants suspended in the fractures.

Companies offering fracturing services typically own and operate fleets of mobile, high-pressure pumping systems and other heavy equipment. SSE refers to these pumping systems, each of which consists of a high pressure reciprocating pump, diesel engine, transmission and various hoses, valves, tanks and other supporting equipment, all typically mounted to a flat-bed trailer, as fracturing units. The group of fracturing units, other equipment and vehicles necessary to perform a typical fracturing job is referred to as a fleet. Each fleet typically consists of eight to 20 fracturing units; two or more blenders (one used as a backup), which blend the proppant and chemicals into the fracturing fluid; sand bins, which are large containers used to store sand on location; various vehicles used to transport sand, chemicals, gels and other materials; and various service trucks and a monitoring van equipped with monitoring equipment and computers that control the fracturing process. The personnel assigned to each fleet are commonly referred to as a crew.

An important element of fracturing services is determining the proper fracturing fluid, proppants and injection program to maximize results. SSE employs field engineering personnel to provide technical evaluation and job design recommendations for customers as an integral element of SSE s fracturing service. Technological developments in the industry over the past several years have focused on proppant density control, liquid gel concentrate capabilities, computer design and monitoring of jobs and cleanup properties for fracturing fluids.

SSE purchases the fracturing fluid additives used in its hydraulic fracturing activities from third-party suppliers. The suppliers are responsible for storage, handling and compatibility of the chemicals used in the fracturing fluid. In addition to performing internal vendor environmental and operational quality control at the

well site, SSE also requires its suppliers to adhere to strict environmental and quality standards and to maintain minimum inventory levels at regional hubs, thus ensuring adequate supply for SSE s hydraulic fracturing operations.

Hydraulic fracturing customers and contracts. SSE contracts with its customers pursuant to master services agreements that specify payment terms, audit rights and insurance requirements and allocates certain operational risks through indemnity and similar provisions. SSE supplements these agreements for each engagement with a bid proposal, subject to customer acceptance, containing terms such as the estimated number of fracturing stages to be performed, pricing, quantities of products required, with horsepower and pressure ratings of the hydraulic fracturing fleets to be used. SSE is generally compensated based on the number of fracturing stages it completes, and SSE recognizes revenue upon the completion of each fracturing stage. SSE typically completes one or more fracturing stages per day during the course of a job. A stage is considered complete when the customer requests that pumping discontinue for that stage. Invoices typically include service charges that are determined by hydraulic horsepower requirements and achieved rate of barrels per minute along with product charges for sand, chemicals and other products actually consumed during the course of providing its services.

Oilfield Rentals

SSE s oilfield rentals segment is operated through its wholly-owned subsidiary, Great Plains Oilfield Rental, L.L.C., and provides premium rental tools and specialized services for land-based oil and natural gas drilling, completion and workover activities. SSE offers an extensive line of rental tools, including a full line of tubular products specifically designed for horizontal drilling and completion, with high-torque, premium-connection drill pipe, drill collars and tubing. Additionally, SSE offers surface rental equipment including blowout preventers, frac tanks, mud tanks and environmental containment that leverage all phases of the hydrocarbon extraction and production process. SSE s air drilling equipment and services enable extraction in select basins where segments of certain formations preclude the use of drilling fluid, permitting operators to drill through problematic zones without the risk of fluid absorption and damage to the wellbore. SSE also provides frac-support services, including rental and rig-up/rig-down of wellhead pressure control equipment, delivery of on-site frac water through a water transfer operation using innovative lay flat pipe, and monitoring and controlling of production returns. As of December 31, 2015, SSE offered oilfield rental services in the Anadarko and Permian Basins and the Eagle Ford, Haynesville, Marcellus, Niobrara and Utica Shales. SSE prices its rentals and services based on the type of equipment being rented and the services being performed. Substantially all rental revenue SSE earns is based upon a charge for the actual period of time the rental is provided to its customer on a market-based fixed per-day or per-hour fee.

Former Oilfield Trucking

SSE s former oilfield trucking segment provided drilling rig relocation and logistics services as well as fluid handling services. During the second quarter of 2015, SSE sold Hodges Trucking Company, L.L.C., which provided drilling rig relocation and logistics services, and SSE also sold its water hauling assets. As part of the spin-off, SSE sold its crude hauling assets to a third party.

Customers and Competition

The industries in which SSE operates are highly competitive and SSE is dependent on CHK for the majority of SSE s revenues. SSE s customers pay it market-based rates for the services SSE provides. To the extent that competitive conditions increase and prices for the services and products SSE provides decrease, the prices SSE is able to charge its customers for such products and services may decrease.

SSE is a party to a master services agreement (the Master Services Agreement) with CHK, pursuant to which SSE provides drilling and other services and supply materials and equipment to CHK. The Master

182

Table of Contents

Services Agreement contains general terms and provisions, specifies payment terms, audit rights and insurance requirements and allocates certain operational risks through indemnity and similar provisions. The agreement will remain in effect until SSE or CHK provide 30 days written notice of termination. The specific terms of each drilling services request are typically provided pursuant to drilling contracts on a well-by-well basis or for a term of a certain number of days or wells. The specific terms of each request for other services are typically set forth in a field ticket or purchase or work order. SSE believes that its drilling contracts, field tickets or purchase or work orders with CHK are substantially similar to those in prevailing industry contracts, specifically as they relate to pricing, liabilities and payment terms.

In connection with the spin-off, SSE supplemented the Master Service Agreement with certain new services agreements, including new drilling contracts and a services agreement for hydraulic fracturing services, among others. Please read Agreements Between SSE and CHK for further discussion of the new services agreements.

Competitors in each of SSE s operating segments include:

Drilling Helmerich & Payne, Inc., Nabors Industries Ltd., Patterson-UTI Energy, Inc., Pioneer Energy Services Corp., Precision Drilling Corporation, and Trinidad Drilling Ltd.

Hydraulic Fracturing Baker Hughes Incorporated, C&J Energy Services, Inc., FTS International, Inc., Halliburton Company, Keane Group, RPC, Inc., Schlumberger Limited, Superior Energy Services, Inc., and Weatherford International plc.

Oilfield Rentals Baker Oil Tools, Basic Energy Services, Inc., Key Energy Services, Inc., Knight Oil Tools, Oil States International, Inc., RPC, Inc., Superior Energy Services, Inc., Weatherford International plc, and Quail Tools (owned by Parker Drilling Company).

SSE also competes in each of SSE s operating segments against a significant number of other companies with national, regional, or local operations.

Suppliers

SSE purchases a wide variety of raw materials, parts and components that are made by other manufacturers and suppliers for its use. SSE is not dependent on any single source of supply for those parts, supplies or materials.

For SSE s drilling rigs, it generally purchases individual components from reputable original equipment manufacturers and then assembles and commissions the rigs itself at an internal facility, which it believes results in cost savings and higher quality.

SSE has purchased the majority of its hydraulic fracturing units from United Engines and FTS International. SSE purchases the raw materials it uses in its hydraulic fracturing operations, such as sand, chemicals and diesel fuel, from a variety of suppliers throughout the U.S.

To date, SSE has generally been able to obtain on a timely basis the equipment, parts and supplies necessary to support its operations. Where SSE currently sources materials from one supplier, it believes that it will be able to make satisfactory alternative arrangements in the event of interruption of supply. However, given the limited number of suppliers of certain of SSE s raw materials, it may not always be able to make alternative arrangements should one of its suppliers fail to deliver or timely deliver its materials.

Employees

At every level of SSE s operations, its employees are critical to its success and committed to operational excellence. SSE s senior management team has extensive experience building, acquiring and managing oilfield

Table of Contents

services and other assets. Their focus is on optimizing SSE s business and expanding operations. On an operations level, SSE s supervisory and field personnel are empowered with the training, tools and confidence required to succeed in their jobs. As of December 31, 2015, SSE employed approximately 1,700 people, none of whom were covered by collective bargaining agreements, and SSE considers its relationships with its employees to be good.

Risk Management and Insurance

The oilfield services business involves a variety of operating risks, including the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental hazards such as oil spills, natural gas leaks, ruptures or discharges of toxic gases. If any of these should occur, SSE could incur legal defense costs and suffer substantial losses due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations.

SSE is covered under insurance policies that it believes are customary in the industry with customary deductibles or self-insured retentions. However, there are no assurances that this insurance will be adequate to cover all losses or exposure to liability. As of December 31, 2015, SSE carried $200.0 million in excess liability umbrella policies over its general liability, automobile liability, non-owned aviation liability and employer s liability policies, as well as a $20.0 million contractor s pollution liability policy. SSE provides workers compensation insurance coverage to employees in all states in which it operates. While SSE believes these policies are customary in the industry, they do not provide complete coverage against all operating risks. In addition, SSE s insurance does not cover penalties or fines that may be assessed by a governmental authority. A loss not fully covered by insurance could have a material adverse effect on SSE s financial position, results of operations and cash flows. The insurance coverage that SSE maintains may not be sufficient to cover every claim made against it and may not be available for purchase in the future on terms it considers commercially reasonable, or at all. Also, in the past, insurance rates have been subject to wide fluctuation, and changes in coverage could result in less coverage, increases in cost or higher deductibles and self-insured retentions.

SSE s master services agreements include certain indemnification provisions for losses resulting from operations. Generally, SSE takes responsibility for its own people and property while its customers take responsibility for their own people, property and liabilities related to the well and subsurface operations, regardless of either party s negligence or fault. For example, SSE s Master Services Agreement with CHK provides that CHK assumes liability for (a) damage to the hole, including the cost to re-drill; (b) damages or claims arising from loss of control of a well or a blowout; (c) damage to the reservoir, geological formation or underground strata; (d) damages arising from the use of radioactive tools or any contamination resulting therefrom; (e) damages arising from pollution or contamination (other than surface spills attributable to SSE s negligence); (f) liability arising from damage to, or escape of any substance from, any pipeline, vessel or storage or production facility; and (g) allegations of subsurface trespass.

In general, any material limitations on contractual indemnity obligations arise only by applicable state law or public policy. Many states place limitations on contractual indemnity agreements, particularly agreements that indemnify a party against the consequences of its own negligence. Furthermore, certain states, including Louisiana, New Mexico, Texas, and Wyoming, have enacted statutes generally referred to as oilfield anti-indemnity acts expressly prohibiting certain indemnity agreements contained in or related to oilfield services agreements. Such oilfield anti-indemnity acts may restrict or void a party s indemnification of SSE.

Safety and Maintenance

SSE s business involves the operation of heavy and powerful equipment which can result in serious injuries to its employees and third parties and substantial damage to property and the environment. SSE has comprehensive health, safety and environmental (HSE) and training programs designed to reduce accidents in

Table of Contents

the workplace and improve the efficiency of its operations. In addition, SSE s largest customers place great emphasis on HSE and the quality management programs of their contractors. SSE believes that these factors will gain further importance in the future. SSE has directed substantial resources toward employee HSE and quality management training programs as well as SSE s employee review process and has benefited from steadily decreasing incident frequencies.

Regulation of Operations

SSE operates under the jurisdiction of a number of federal, state and local regulatory bodies that regulate worker safety, the handling of hazardous materials, the transportation of explosives, the protection of the environment and safe driving procedures. Regulations concerning equipment certification create an ongoing need for regular maintenance that is incorporated into its daily operating procedures.

Among the services SSE provides and assets SSE utilizes, it operates as a motor carrier and therefore is subject to regulation by the U.S. Department of Transportation and by various state agencies. These regulatory authorities exercise broad powers, governing activities such as the authorization to engage in motor carrier operations and regulatory safety, financial reporting and certain mergers, consolidations and acquisitions.

Interstate motor carrier operations are subject to safety requirements prescribed by the U.S. Department of Transportation. To a large degree, intrastate motor carrier operations are subject to safety regulations that mirror federal regulations. Such matters as weight and dimension of equipment are also subject to federal and state regulations, while the Department of Transportation mandates drug testing of drivers.

From time to time, various legislative proposals are introduced, such as proposals to increase federal, state, or local taxes, including taxes on motor fuels, which may increase SSE s costs or adversely impact the recruitment of drivers. SSE cannot predict whether, or in what form, any increase in such taxes applicable to it will be enacted.

Environmental Matters

SSE s operations are subject to various federal, state and local environmental, health and safety laws and regulations pertaining to the release, emission or discharge of materials into the environment, the generation, storage, transportation, handling and disposal of materials (including solid and hazardous wastes) or the safety of employees, or otherwise relating to preservation or protection of human health and safety, pollution prevention or remediation, natural resources, wildlife or the environment. Federal environmental, health and safety requirements that govern SSE s operations include the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), Federal Water Pollution Control Act (commonly known as the Clean Water Act), the Safe Drinking Water Act (SDWA), the CAA, the Resource Conservation and Recovery Act (RCRA), the Endangered Species Act, the Migratory Bird Treaty Act, the Occupational Safety and Health Act, and the regulations promulgated pursuant to such laws.

Some of these laws, including CERCLA and analogous state laws, may impose joint and several liability, without regard to fault or legality of the original conduct, on classes of persons who are considered responsible for releases of a hazardous substance or other pollutant into the environment. These persons may include the current or former owner or operator of the site where the release occurred and persons that generated, disposed of or arranged for the disposal of hazardous substances at the site.

Other federal and state laws, in particular RCRA, regulate hazardous wastes and non-hazardous solid wastes. In the course of SSE s operations, it generates petroleum hydrocarbon wastes and other maintenance wastes. Some of SSE s wastes are not currently classified as hazardous wastes, but may in the future be designated as hazardous wastes and may thus become subject to more rigorous and costly compliance and disposal requirements.

Table of Contents

SSE owns or leases a number of properties that have been used as service yards in support of oil and natural gas exploration and production activities. Although SSE has utilized operating and disposal practices that it considered to be standard in the industry at the time, repair and maintenance activities on rigs and equipment stored in these service yards may have resulted in the disposal or release of hydrocarbons, wastes, or hazardous substances, including Naturally Occurring Radioactive Material at or from these yards or at or from other locations where these wastes have been taken for treatment, storage or disposal. In addition, SSE owns or leases properties that in the past were used by third parties whose operations were not under SSE s control. These properties and any hydrocarbons or other materials handled thereon may be subject to CERCLA, RCRA or analogous state laws. Under these types of laws, SSE could be required to remove or remediate previously released hazardous substances, wastes or property contamination, or to pay for such cleanup activity.

Further, SSE s operations are subject to the federal CAA and comparable state laws and regulations. These laws and regulations govern emissions of air pollutants from various industrial sources, including SSE s non-road mobile engines, and impose various monitoring and reporting requirements. Compliance with increasingly stringent air emissions regulations may result in increased costs as SSE continues to grow. Beyond that, federal and state regulatory agencies can impose administrative, civil and criminal penalties for non-compliance with air permits or other requirements of the federal CAA and associated state laws and regulations.

The Clean Water Act and resulting regulations, which are primarily implemented through a system of permits, govern the discharge of certain contaminants into waters of the United States. Violation of the Clean Water Act requirements may result in a fine as well as an order to stop facility construction or operation or to stop hauling wastewaters to third party facilities. In addition, the Federal Oil Pollution Act of 1990 and resulting regulations impose a variety of obligations on responsible parties related to the prevention of oil spills and liability for damages resulting from such spills in waters of the United States.

The SDWA and comparable local and state provisions restrict the disposal, treatment or release of water produced or used during oil and gas development. Subsurface emplacement of fluids (including disposal wells or enhanced oil recovery) is governed by federal or state regulatory authorities that, in some cases, includes the state oil and gas regulatory authority or the state s environmental authority. These regulations may increase the costs of compliance for some facilities.

SSE seeks to manage environmental liability risks through provisions in its contracts with its customers that allocate risks relating to surface activities associated with the fracturing process to SSE and risks relating to down-hole liabilities to its customers. SSE s contracts generally require its customers to indemnify SSE against pollution and environmental damages originating below the surface of the ground or arising out of water disposal, or otherwise caused by the customer, other contractors or other third parties. In turn, SSE s contracts generally require SSE to indemnify its customers for pollution and environmental damages originating at or above the surface caused solely by SSE. SSE seeks to maintain consistent risk-allocation and indemnification provisions in its customer agreements to the greatest extent possible. Some of SSE s contracts, however, may contain less explicit indemnification provisions, which would typically provide that each party will indemnify the other against liabilities to third parties resulting from the indemnifying party s actions, except to the extent such liability results from the indemnified party s gross negligence, willful misconduct or intentional act.

SSE has made and will continue to make expenditures to comply with health, safety and environmental regulations and requirements. These are necessary business costs in the oilfield services industry. Although SSE is not fully insured against all environmental, health and safety risks, and its insurance does not cover any penalties or fines that may be issued by a governmental authority, SSE maintains insurance coverage which it believes is customary in the industry. Moreover, it is possible that other developments, such as stricter and more comprehensive environmental, health and safety laws and regulations, as well as claims for damages to property or persons, resulting from company operations, could result in substantial costs and liabilities, including administrative, civil and criminal penalties, to SSE. SSE believes that it is in material compliance with applicable

186

health, safety and environmental laws and regulations. SSE believes that the cost of maintaining compliance with these laws and regulations will not have a material adverse effect on its business, financial position and results of operations, but new or more stringent regulations could increase the cost of doing business and could have a material adverse effect on its business. Moreover, accidental releases or spills may occur in the course of SSE s operations, causing it to incur significant costs and liabilities, including for third-party claims for damage to property and natural resources or personal injury. Please read Risk Factors Risk Factors Relating to SSE beginning on page 45.

Hydraulic Fracturing. Vast quantities of oil, natural gas liquids and natural gas deposits exist in deep shale unconventional formations. It is customary in SSE s industry to recover these resources from these deep formations through the use of hydraulic fracturing, combined with horizontal drilling.

Hydraulic fracturing techniques have been used by the industry since 1947, and currently, more than 90% of all oil and natural gas wells drilled in the U.S. employ hydraulic fracturing. SSE strives to conduct its fracturing operations in accordance with best practices, industry standards, and all regulatory requirements. For example, SSE monitors rate and pressure to ensure that the services are performed as planned. SSE also performs fracturing for wells that have been constructed with multiple layers of protective steel casing surrounded by cement that are specifically designed to protect freshwater aquifers.

Legislative and regulatory efforts at the federal, state and local levels have been initiated that may impose additional requirements on SSE s oilfield services, including hydraulic fracturing.

In a few instances these have included bans on hydraulic fracturing. To date, these initiatives have not materially affected SSE s operations, but they could spur further action towards federal, state, or local legislation and regulation of hydraulic fracturing activities. At this time, it is not possible to estimate the potential impact on SSE s business of such additional federal, state, or local legislation or regulations affecting hydraulic fracturing. In addition, there is a growing trend among states to require SSE to provide information about the chemicals and products SSE maintains on location and uses during hydraulic fracturing activities. Many of these laws and regulations require that SSE disclose information about these chemicals and products. In certain cases, these chemicals and products are manufactured and/or imported by third parties and SSE therefore must rely upon such third parties for such information. The consequences of any inaccurate disclosure, failure to disclose, or disclosure of confidential or proprietary information by SSE could have a material adverse effect on its business, financial condition and operational results.

Additional Regulations. In June 2013, President Obama unveiled a Presidential climate action plan designed to reduce emissions in the U.S. of methane, carbon dioxide and other GHGs. In furtherance of that plan, the Obama Administration has launched a number of initiatives, including the development of standards restricting GHG emissions from light, medium and heavy-duty vehicles and of a Strategy to Reduce Methane Emissions from the oil and gas industry. The Administration s goal is to reduce methane emissions from the oil and gas industry by 40-45% by 2025 as compared to 2012 levels. The EPA therefore issued a proposed rule in the summer of 2015 that would set additional standards for methane and volatile organic compound emissions from oil and gas production sources, including hydraulically fractured oil wells, and natural gas processing and transmission sources. The EPA intends to issue a final rule in 2016. An accompanying EPA proposal would clarify when oil and natural gas sites should be aggregated for purposes of air permitting, which could increase compliance and permitting costs. As another prong of the Administration s methane strategy, BLM has proposed standards for reducing venting and flaring on public lands. Various state governments and regional organizations comprising state governments similarly are considering enacting new legislation and promulgating new regulations governing or restricting GHG emissions from stationary sources such as SSE s equipment and operations or promoting the use of renewable energy. Legislative and regulatory proposals for restricting greenhouse gas emissions or otherwise addressing climate change could require SSE to incur additional operating costs and could adversely affect the oil and natural gas industry and, therefore, could reduce the demand for SSE s products and services. The potential increase in SSE s operating costs could include new or increased costs to obtain permits, operate and maintain SSE s equipment and facilities, install new emission controls on SSE s equipment and facilities, acquire allowances to authorize SSE s greenhouse gas emissions, pay taxes related to its greenhouse gas emissions and administer and manage a greenhouse gas emissions program. Moreover, incentives to conserve energy or use alternative energy sources could reduce demand for oil, natural gas and natural gas liquids. Restrictions on emissions of methane or carbon dioxide that may be imposed, whether in various states or at the federal level, could adversely affect the oil and natural gas industry and, therefore, could reduce the demand for SSE s products and services.

The Spin-Off

The transactions in which SSE became an independent, publicly traded company, including the cash distribution to CHK referenced below, are referred to collectively as the spin-off . Prior to the spin-off, SSE conducted its business as Chesapeake Oilfield Operating, L.L.C. (COO). As part of the spin-off, SSE completed the following transactions, among others:

- the entrance into a new $275.0 million senior secured revolving credit facility and a $400.0 million secured term loan. SSE used the proceeds from borrowings under these new facilities to repay in full and terminate its existing $500.0 million senior secured revolving credit facility;

- the issuance of 6.50% senior unsecured notes due 2022. SSE used the net proceeds of approximately $493.8 million to make a cash distribution of approximately $391.0 million to CHK, to repay a portion of outstanding indebtedness under the credit facility and for general corporate purposes;

- SSE distributed its compression unit manufacturing and geosteering businesses to CHK. Please read Results of Operations in Management s Discussion and Analysis of Financial Condition and Results of Operations December 31, 2015 beginning on page 192 for further discussion of the financial impact of these businesses to SSE s historical financial results;

- SSE sold its crude hauling assets to a third party and used a portion of the net proceeds received to make a $30.9 million cash distribution to CHK;

- CHK transferred to SSE buildings and real estate used in SSE s business, including property and equipment, at cost of approximately $212.5 million and accumulated depreciation of $22.2 million as of the spin-off date. Prior to the spin-off, SSE leased these buildings and real estate from CHK pursuant to a facilities lease agreement and incurred lease expense of $8.2 million and $16.5 million for the years ended December 31, 2014 and 2013, respectively. In connection with the spin-off, the facilities lease agreement was terminated;

- COO transferred all of its existing assets, operations and liabilities, including SSE s 6.625% senior unsecured notes due 2019, to Seventy Seven Operating LLC (SSO). SSO is an Oklahoma limited liability company, SSE s direct wholly-owned subsidiary and, after giving effect to the Transactions, the direct owner of all SSE s operating subsidiaries;

COO was renamed SSE and converted from a limited liability company to a corporation.

Agreements Between SSE and CHK

In connection with the spin-off, SSE supplemented the Master Services Agreement with the new agreements described below.

New Services Agreements

Under the new services agreement governing SSE s provision of hydraulic fracturing services for CHK (the New Services Agreement), CHK is required to utilize the lesser of (i) seven, five and three of SSE s hydraulic fracturing crews in years one, two and three of the agreement, respectively, or (ii) fifty percent (50%) of the total number of all hydraulic fracturing crews working for CHK in all its operating regions during the respective year. CHK is also required to utilize SSE s hydraulic fracturing services for a minimum number of stages as set forth in the agreement. CHK is entitled to terminate the agreement in certain situations, including in the event SSE fails to materially comply with the overall quality of service provided by similar service providers. Additionally, CHK s requirement to utilize SSE s services may be suspended under certain circumstances, such as when SSE is unable to timely accept and supply services ordered by CHK or as a result of a force majeure event. SSE s hydraulic fracturing backlog under the New Services Agreement as of September 30, 2016 was approximately $67.4 million.

In connection with the spin-off, SSE entered into rig-specific daywork drilling contracts with CHK for the provision of drilling services having terms similar to those SSE currently uses for other customers (the Drilling Contracts). The Drilling Contracts had a commencement date of July 1, 2014 and terms ranging from three months to three years. CHK has the right to terminate a drilling contract in certain circumstances. SSE s drilling backlog under the Drilling Contracts as of September 30, 2016 was approximately $172.1 million and SSE s early contract termination value related to the Drilling Contracts was $123.9 million. For additional information about SSE s contractual backlog please read Management s Discussion and Analysis of Financial Condition and Results of Operations Backlog below.

Master Separation Agreement

The master separation agreement entered into between SSE and CHK governs the separation of SSE s businesses from CHK, the distribution of SSE s shares to CHK shareholders and other matters related to CHK s relationship with SSE, including cross-indemnities between SSE and CHK. In general, CHK agreed to indemnify SSE for any liabilities relating the CHK s business and SSE agreed to indemnify CHK for any liabilities relating to SSE s business.

Tax Sharing Agreement

In connection with the spin-off, SSE and CHK entered into a tax sharing agreement that governs SSE s respective rights, responsibilities and obligations with respect to tax liabilities and benefits, tax attributes, the preparation and filing of tax returns, the control of audits and other tax proceedings and certain other matters regarding taxes. References in this summary description of the tax sharing agreement to the terms tax or taxes mean taxes as well as any interest, penalties, additions to tax or additional amounts in respect of such taxes.

Under the tax sharing agreement, SSE generally is liable for and will indemnify CHK against all taxes attributable to SSE s business and will be allocated all tax benefits attributable to such business. CHK generally is liable for and will indemnify SSE against all taxes attributable to its other businesses and will be allocated all tax benefits attributable to such businesses.

Finally, the tax sharing agreement requires that neither SSE nor any of its affiliates take or fail to take any action after the effective date of the tax sharing agreement that (i) would be reasonably likely to be inconsistent with or cause to be untrue any material statement, covenant or representation in any representation letters, tax opinions or IRS private letter ruling obtained by CHK or (ii) would be inconsistent with the spin-off generally qualifying as a tax-free transaction described under Sections 355 and 368(a)(1)(D) of the Code.

Moreover, CHK generally will be liable for and indemnify SSE for any taxes arising from the spin-off or certain related transactions that are imposed on SSE, CHK or its other subsidiaries. However, SSE would be liable for and indemnify CHK for any such taxes to the extent they result from certain actions or failures to act by SSE that occur after the effective date of the tax sharing agreement.

Table of Contents

Employee Matters Agreement

In connection with the spin-off, SSE and CHK entered into an employee matters agreement, which provides that each of CHK and SSE has responsibility for its own employees and compensation plans. The agreement also contains provisions concerning benefit protection for both SSE and CHK employees, treatment of holders of CHK stock options, restricted stock, restricted stock units and performance share units, and cooperation between SSE and CHK in the sharing of employee information and maintenance of confidentiality.

Properties

SSE conducts its operations out of a number of field offices, yards, shops, terminals and other facilities principally located in Ohio, Oklahoma, Pennsylvania, Texas, West Virginia and Wyoming. Each of these facilities were transferred to SSE from CHK at the time of the spin-off. SSE does not believe that any one of these facilities is individually material to its operations.

Legal Proceedings

SSE is subject to various legal proceedings and claims arising in the ordinary course of its business. SSE s management does not expect the outcome of any of these known legal proceedings, individually or collectively, to have a material adverse effect on SSE s financial condition or results of operations.

Table of Contents

Selected Financial Data of SSE

The following table sets forth certain consolidated financial data for the periods presented, which has been derived from our audited consolidated financial statements and the audited consolidated financial statements of our predecessor, COO. The historical combined financial statements of COO for periods and as of dates prior to its formation on October 25, 2011 were prepared on a carve-out basis from CHK and are intended to represent the financial results of CHK s oilfield services operations, which is COO s accounting predecessor, for the periods presented. The selected historical financial data is not necessarily indicative of results to be expected in future periods and does not necessarily reflect what our financial position and results of operations would have been had we operated as an independent public company during periods prior to our spin-off from CHK. The selected historical financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and Audited Financial Statements and Supplementary Data of SSE below.

	Years Ended December 31,				
	2015	**2014**	**2013**	**2012**	**2011**
	(in thousands, except per share data)				
Income Statement Data:					
Revenues	$ 1,131,244	$ 2,080,892	$ 2,188,205	$ 1,920,022	$ 1,303,496
Operating Expenses:					
Operating costs(a)	855,870	1,580,353	1,717,709	1,390,786	986,239
Depreciation and amortization	295,421	292,912	289,591	231,322	175,790
General and administrative	112,141	108,139	80,354	66,360	37,074
Loss on sale of a business	35,027				
Losses (gains) on sales of property and equipment, net	14,656	(6,272)	(2,629)	2,025	(3,571)
Impairment of goodwill	27,434				
Impairments and other(b)	18,632	30,764	74,762	60,710	2,729
Total Operating Expenses	1,359,181	2,005,896	2,159,787	1,751,203	1,198,261
Operating (Loss) Income	(227,937)	74,996	28,418	168,819	105,235
Other (Expense) Income:					
Interest expense	(99,267)	(79,734)	(56,786)	(53,548)	(48,802)
Gains on early extinguishment of debt	18,061				
Loss and impairment from equity investees	(7,928)	(6,094)	(958)	(361)	
Other income (expense)	3,052	664	1,758	1,543	(2,464)
Total Other Expense	(86,082)	(85,164)	(55,986)	(52,366)	(51,266)
(Loss) Income Before Income Taxes	(314,019)	(10,168)	(27,568)	116,453	53,969
Income Tax (Benefit) Expense	(92,628)	(2,189)	(7,833)	46,877	26,279
Net (Loss) Income	(221,391)	(7,979)	(19,735)	69,576	27,690
					(154)

Less: Net Loss Attributable to Noncontrolling Interest										
Net (Loss) Income Attributable to Seventy Seven Energy	$	(221,391)	$	(7,979)	$	(19,735)	$	69,576	$	27,844
(Loss) Earnings Per Common Share(c):										
Basic	$	(4.42)	$	(0.17)	$	(0.42)	$	1.48	$	0.59
Diluted	$	(4.42)	$	(0.17)	$	(0.42)	$	1.48	$	0.59
Cash Flow Data:										
Cash flows provided by operations	$	284,106	$	265,296	$	337,071	$	211,151	$	240,046
Cash flows used in investing activities	$	(159,667)	$	(367,646)	$	(296,817)	$	(577,324)	$	(658,470)
Cash flows provided by (used in) financing activities	$	5,318	$	101,563	$	(39,803)	$	366,870	$	418,584
Other Financial Data:										
Capital expenditures (including acquisitions)	$	205,706	$	457,618	$	349,806	$	622,825	$	752,715

(a) Historical operating costs include the effect of $18.9 million, $76.9 million, $100.8 million and $105.6 million of rig rent expense associated with SSE s lease of drilling rigs for the years December 31, 2014, 2013, 2012 and 2011, respectively. As of December 31, 2014, SSE had purchased all rigs that were subject to these lease arrangements.

(b) SSE recorded impairments of long-lived assets of $18.6 million for the year ended December 31, 2015. SSE recorded impairments of long-lived assets and lease termination costs of $21.1 million and $9.7 million, respectively, for the year ended December 31, 2014. SSE recorded impairments of long-lived assets and lease termination costs of $52.4 million and $22.4 million, respectively, for the year ended December 31, 2013.

(c) On June 30, 2014 SSE distributed 46,932,433 shares of its common stock to CHK shareholders in conjunction with the spin-off. For comparative purposes, and to provide a more meaningful calculation for weighted average shares, SSE has assumed this amount to be outstanding for periods prior to the spin-off.

	As of December 31,				
	2015	2014	2013	2012	2011
			(in thousands)		
Balance Sheet Data:					
Cash	$ 130,648	$ 891	$ 1,678	$ 1,227	$ 530
Property and equipment, net	$ 1,530,420	$ 1,767,053	$ 1,497,476	$ 1,581,519	$ 1,247,817
Total assets	$ 1,902,618	$ 2,290,293	$ 2,015,845	$ 2,106,870	$ 1,582,660
Long-term debt, less current maturities	$ 1,564,592	$ 1,572,241	$ 1,043,952	$ 1,055,559	$ 664,524
Total equity	$ 118,840	$ 291,023	$ 547,192	$ 596,817	$ 548,896

Management s Discussion and Analysis of Financial Condition and Results of Operations December 31, 2015

Comparability of Historical Results

The historical results discussed in this section prior to June 30, 2014 are those of COO, which is our predecessor. The transactions in which SSE became an independent, publicly traded company, including the distribution of our common stock on June 30, 2014, are referred to collectively as the spin-off . The historical results discussed in this section prior to the spin-off do not purport to reflect what the results of operations, financial position, or cash flows would have been had we operated as an independent public company prior to June 30, 2014 and do not give effect to certain spin-off transactions on our consolidated statements of operations. For a detailed description of the basis of presentation of the historical financial statements, please read Note 1 to our consolidated financial statements in Audited Financial Statements and Supplementary Data of SSE below.

Overview

We are a diversified oilfield services company that provides a wide range of wellsite services to U.S. land-based E&P customers operating in unconventional resource plays. We offer services and equipment that are strategic to our customers oil and natural gas operations. We conduct our business through three operating segments: Drilling, Hydraulic Fracturing and Oilfield Rentals. Our operations are geographically diversified across many of the most active oil and natural gas plays in the onshore United States, including the Anadarko and Permian Basins and the Eagle Ford, Haynesville, Marcellus, Niobrara and Utica Shales.

Since commencing operations in 2001, we have actively grown and modernized our asset base. As of December 31, 2015, our marketed fleet of 91 rigs consisted of 33 Tier 1 rigs, including 22 proprietary PeakeRigs, 57 Tier 2 rigs and one Tier 3 rig. Currently, we also own 11 hydraulic fracturing fleets with an aggregate of 440,000 horsepower and a diversified oilfield rentals business. We continue to modernize our asset base and are currently building four additional PeakeRigs. For additional information regarding our business and strategies, please read Description of Business beginning on page 180.

Cyclical Nature of Industry

We operate in a highly cyclical industry. The main factor influencing demand for oilfield services is the level of drilling and completions activity by E&P companies, which in turn depends largely on current and anticipated future crude oil and natural gas prices and production depletion rates. Demand for oil and natural gas is cyclical and is subject to large and rapid fluctuations. When oil and natural gas price increases occur, producers increase their capital expenditures, which generally results in greater revenues and profits for oilfield

Table of Contents

service companies. The increased capital expenditures also ultimately result in greater production, which historically has resulted in increased supplies and reduced prices that, in turn, tends to reduce demand for oilfield services. For these reasons, our results of operations may fluctuate from quarter-to-quarter and from year-to-year. For instance, the price of crude oil has fallen significantly since mid-year 2014, as a result of robust non-OPEC supply growth led by unconventional production in the United States, weakening demand in emerging markets, and OPEC s decision to raise its production ceiling, partly in an effort to protect its market share and drive higher cost producers out of the marketplace.

The sustained decline in commodity prices since mid-2014 has dramatically reduced the level of onshore United States drilling and completions activity and, consequently, the demand for our services. As of December 31, 2015, NYMEX WTI oil spot prices had declined to their lowest levels since 2003 and NYMEX natural gas spot prices had fallen from multi-year highs reached in early 2014. The extent and length of the current down cycle continues to be uncertain and is dependent on a number of economic, geopolitical and monetary policy factors that are outside our control. Until there is a sustained recovery in commodity prices, we expect that reduced equipment utilization levels and pricing pressure across each of our operating segments will persist. If drilling and completions activity remains at depressed levels or worsens, it will likely have a material adverse impact on our business, financial condition, cash flows and results of operations.

Although the environment in which we are operating today is challenging, we continue to be focused on maximizing value for the company. We expect to achieve this objective through execution of the following strategies:

Improve flexibility in our balance sheet and enhance our liquidity. We believe that the relatively high level of our indebtedness is having a disproportionately negative effect on the valuation of the company in the debt and equity capital markets and is limiting our ability to take advantage of our operational strengths and grow our business. As a result, we have retained restructuring advisors and are actively exploring and evaluating various strategic alternatives to reduce the level of our long-term debt and lower our future cash interest obligations, including debt repurchases, exchanges of existing debt securities for new debt securities and exchanges or conversions of existing debt securities for new equity securities, among other options. The timing and outcome of these efforts is highly uncertain and one or more of these strategic alternatives could potentially be consummated, without the consent of any one or more of our current security holders, through voluntary bankruptcy proceedings. Although we believe that we will have adequate liquidity over the next twelve months to operate our business and to meet our cash requirements based on current market conditions, we believe that a reduction of our long-term debt is needed to improve our financial position and flexibility and to better position us to take advantage of the growth opportunities that are likely to result from the current industry downturn.

Diversify our customer base and geographic footprint. We intend to utilize our modern, high-quality assets and our deep understanding of the needs of unconventional resource developers to continue to diversify our customer base and geographic footprint. We provide extensive end-to-end complementary services aimed at reducing time spent on drilling and completion and total wellhead cost. In addition, the experience we gained as an integrated part of CHK, historically one of the most active developers of unconventional resources in the United States, makes us unique and allows us to achieve significant cost and cycle time advantages. We believe this gives us a strategic advantage and positions us well to attract new customers. It also gives us the ability to bundle our service offerings and create solutions that will allow us to move from transactional supplier to strategic partner for a number of our customers. We believe this strategy will reduce our customer concentration risk over time and create greater opportunities to benefit from the eventual recovery in oil and/or natural gas prices.

Upgrade our asset base. We intend to continue to upgrade our rigs by placing in service the new Tier 1 rigs that we are currently fabricating. As of December 31. 2015, 31 of our 33 Tier 1 rigs and 40 of our 57 Tier 2 rigs are multi-well pad-ready and able to efficiently execute our customers drilling programs. Additionally, we had four additional contracted PeakeRigs under construction, one of which has been delivered and three of which are scheduled to be delivered during the remainder of 2016. We also have options for two additional PeakeRig™ deliveries in 2016 that may be exercised depending on future market conditions. We currently expect to spend approximately $100.0 million in aggregate growth and maintenance capital expenditures in 2016. We also intend to explore opportunistic acquisitions, particularly within our hydraulic fracturing segment in a manner that is complementary to our existing asset base.

Continue our industry leading safety performance. We are committed to maintaining and continually improving the safety, reliability and efficiency of our operations, which we believe is critical to attracting new customers and maintaining relationships with our current customers, regulators and the communities in which we operate. We believe we have one of the lowest Total Recordable Incidence Rate (TRIR) as compared to our industry peers. In addition, our business goals include safety metrics, which drives continuous improvement regarding quality and safety. We have adopted and developed a management system that requires rigorous processes and procedures to facilitate our compliance with environmental regulations and policies. We also conduct internal and external assessments to verify compliance and identify areas for improvement. We work diligently to meet or exceed applicable safety and environmental regulations and we intend to continue to incorporate safety, environmental and quality principals into our operating procedures as our business grows and operating conditions change.

Backlog

We maintain a backlog of contract revenues under our contracts for the provision of drilling and hydraulic fracturing services. Our drilling and hydraulic fracturing backlogs as of December 31, 2015, which are based on existing contracts, were approximately $355.8 million and $282.7 million, respectively, with average durations of 16 months and 13 months, respectively. We calculate our drilling backlog by multiplying the day rate under our contracts by the number of days remaining under the contract. We calculate our hydraulic fracturing backlog by multiplying the (i) rate per stage, which varies by operating region and is, therefore, estimated based on current customer activity levels by region and current contract pricing, by (ii) the number of stages remaining under the contract, which we estimate based on current and anticipated utilization of our crews. With respect to our hydraulic fracturing backlog, our contracts provide for periodic adjustments of the rates we may charge for our services thereunder, which will be negotiated based on then-prevailing market pricing and may be higher or lower than the current rates we charge and utilize in calculating our backlog. Our drilling backlog calculation does not include any reduction in revenues related to mobilization or demobilization, nor does it include potential reductions in rates for unscheduled standby or during periods in which the rig is moving, on standby or incurring maintenance and repair time in excess of what is permitted under the drilling contract. In addition, many of our contracts are subject to termination by the customer on short notice and provide for an early termination payment to us in the event that the contract is terminated by the customer. We calculate our contract drilling early termination value assuming each rig remains stacked for the remainder of the term of the terminated contract. As a result of the foregoing, revenues could differ materially from the backlog and early termination amounts presented.

As of December 31, 2015, our revenue backlog was as follows (in millions):

	2016	2017	Thereafter
Backlog	$ 271.8	$ 310.6	$ 56.1

As of December 31, 2015, our total contract early termination value related to our drilling backlog was as follows (in millions):

	2016	2017	Thereafter
Drilling contract early termination value	$ 159.9	$ 88.3	$ 5.2

How We Evaluate Our Operations

Our management team uses a variety of tools to monitor and manage our operations in the following eight areas: (a) segment gross margin, (b) equipment maintenance performance, (c) customer satisfaction, (d) asset utilization, (e) safety performance, (f) Adjusted EBITDA, (g) Adjusted Revenues and (h) Adjusted Operating Costs.

Segment Gross Margin. We define segment gross margin as segment revenues less segment operating costs, excluding depreciation and amortization, general and administrative expenses, net gains or losses on sales of property and equipment, impairment of goodwill and impairments and other. We view segment gross margin as one of our key management tools for managing costs at the segment level and evaluating segment performance. Our management tracks segment gross margin both as an absolute amount and as a percentage of revenues compared to prior periods.

Equipment Maintenance Performance. Equipment reliability (uptime) is an important factor to the success of our business. Uptime is beneficially impacted through preventive maintenance on our equipment. We have formal preventive maintenance procedures which are regularly monitored for compliance. Further, management monitors maintenance expenses as a percentage of revenue. This metric provides a leading indicator with respect to the execution of preventive maintenance and ensures that equipment reliability issues do not negatively impact operational uptime.

Customer Satisfaction. Upon completion of many of our services, we encourage our customers to provide feedback on the services provided. The evaluation of our performance is based on various criteria and our customer comments are indicative of their overall satisfaction level. This feedback provides us with the necessary information to reinforce positive performance and remedy negative issues and trends.

Asset Utilization. By consistently monitoring our operations activity levels, pricing and relative performance of each of our rigs and fleets, we can more efficiently allocate our personnel and equipment to maximize revenue generation. We measure our activity levels by the total number of jobs completed by each of our drilling rigs and hydraulic fracturing fleets on a periodic basis. We also monitor the utilization rates of our drilling rigs. We define utilization of our drilling rigs as the number of rigs that have operated in the past 30 days divided by the number of rigs that have operated in the last 90 days.

Safety Performance. Maintaining a safe and incident-free workplace is a critical component of our operational success. Our management team uses both lagging and leading indicators to measure and manage safety performance. Total Recordable Incident Rate (TRIR), Lost Time Incident Rate (LTIR) and Motor Vehicle Crash Rate (MVCR) are key lagging indicators reviewed by management. We also review leading indicators such as safety observations, training completion, and action item completion to enhance our view of safety performance. Safety performance data is reported, tracked and trended in a centralized database, which allows us to efficiently focus our incident prevention efforts.

Table of Contents

Adjusted EBITDA. Our primary financial and operating measurement that our management uses to analyze and monitor the operating performance of our business is Adjusted EBITDA, which we define as net income before interest expense, income tax expense, depreciation and amortization, as further adjusted to add back gains on early extinguishment of debt, impairment of goodwill, impairments and other, loss on sale of a business and exit costs, gain or loss on sale of property and equipment, non-cash stock compensation, severance-related costs, impairment of equity method investment, rent expense on buildings and real estate transferred from CHK, rig rent expense, interest income and certain other non-recurring items, such as the sale of our drilling rig relocation and logistics business, the distribution of our compression unit manufacturing and geosteering businesses to CHK as part of the spin-off, and the sale of our crude and water hauling assets to a third party. The table below shows our Adjusted EBITDA for the years ended December 31, 2015, 2014 and 2013.

	Years Ended December 31,		
	2015	2014	2013
		(unaudited) (in thousands)	
Adjusted EBITDA:			
Consolidated	$ 235,019	$ 432,178	$ 432,496
Drilling	$ 184,522	$ 301,291	$ 258,607
Hydraulic Fracturing	$ 60,752	$ 144,720	$ 138,889
Oilfield Rentals	$ 1,145	$ 53,028	$ 59,387

Adjusted Revenues and Adjusted Operating Costs. Key financial and operating measurements that our management uses to analyze and monitor our period-over-period operating performance are Adjusted Revenues and Adjusted Operating Costs , which we define as revenues and operating costs before revenues and operating costs associated with our rig relocation and logistics business and water hauling assets that were sold in the second quarter of 2015, our compression unit manufacturing and geosteering businesses that were distributed to CHK as part of the spin-off, and our crude hauling assets that were sold to a third party as part of the spin-off. Adjusted Operating Costs is further adjusted to subtract rig rent expense.

Non-GAAP Financial Measures

Adjusted EBITDA , Adjusted Revenues and Adjusted Operating Costs are non-GAAP financial measures. Adjusted EBITDA, Adjusted Revenues and Adjusted Operating Costs as used and defined by us, may not be comparable to similarly titled measures employed by other companies and are not measures of performance calculated in accordance with generally accepted accounting principles (GAAP).

Adjusted Revenues and Adjusted Operating Costs should not be considered in isolation or as a substitute for revenues and operating costs, respectively, prepared in accordance with GAAP. However, our management uses Adjusted Revenues and Adjusted Operating Costs to evaluate our period-over-period operating performance because our management believes these measures improve the comparability of our continuing business and for the same reasons believes these measures may be useful to an investor in evaluating our operating performance. A reconciliation of Adjusted Revenues and Adjusted Operating Costs to the GAAP measures of revenues and operating costs, respectively, is provided below in Results of Operations for each period discussed.

Adjusted EBITDA should not be considered in isolation or as a substitute for operating income, net income or loss, cash flows provided by operating, investing and financing activities, or other income or cash flow statement data prepared in accordance with GAAP. However, our management uses Adjusted EBITDA to evaluate our performance and liquidity and believes Adjusted EBITDA may be useful to an investor in evaluating our operating performance and liquidity because this measure:

- is widely used by investors in the oilfield services industry to measure a company s operating performance without regard to items excluded from the calculation of such measure, which can vary substantially from company to company depending upon accounting methods, book value of assets, capital structure and the method by which assets were acquired, among other factors;

196

is a financial measurement that is used by rating agencies, lenders and other parties to evaluate our creditworthiness; and

is used by our management for various purposes, including as a measure of performance of our operating entities and as a basis for strategic planning and forecasting.

There are significant limitations to using Adjusted EBITDA as a measure of performance, including the inability to analyze the effect of certain recurring and non-recurring items that materially affect our net income or loss. Additionally, because Adjusted EBITDA excludes some, but not all, items that affect net income and is defined differently by different companies in our industry, our definition of Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

On a consolidated basis, the following tables present a reconciliation of Adjusted EBITDA to the GAAP financial measures of net income and cash provided by operating activities. The following tables also present a reconciliation of Adjusted EBITDA to the GAAP financial measure of net income for each of our operating segments.

Consolidated

	Years Ended December 31,		
	2015	**2014**	**2013**
		(in thousands)	
Net loss	$ (221,391)	$ (7,979)	$ (19,735)
Add:			
Interest expense	99,267	79,734	56,786
Gains on early extinguishment of debt	(18,061)		
Income tax benefit	(92,628)	(2,189)	(7,833)
Depreciation and amortization	295,421	292,912	289,591
Impairment of goodwill	27,434		
Impairments and other	18,632	30,764	74,762
Loss on sale of a business and exit costs	35,018		
Losses (gains) on sales of property and equipment, net	14,656	(6,272)	(2,629)
Non-cash compensation	48,509	47,184	
Severance-related costs	6,433	2,017	3,896
Impairment of equity method investment	8,806	4,500	1,789
Rent expense on buildings and real estate transferred from CHK(a)		8,187	16,459
Rig rent expense(b)		18,900	76,923
Interest income	(1,353)		
Less:			
Drilling rig relocation and logistics Adjusted EBITDA	(9,745)	17,450	17,490
Water hauling Adjusted EBITDA	(4,531)	(1,364)	2,417
Compression unit manufacturing Adjusted EBITDA		13,073	18,965
Geosteering Adjusted EBITDA		957	2,870
Crude hauling Adjusted EBITDA		(5,066)	15,771
Non-recurring credit to stock compensation expense		10,530	
Adjusted EBITDA	$ 235,019	$ 432,178	$ 432,496

(a) Rent expense on buildings and real estate transferred from CHK as part of the spin-off is included in operating costs and general and administrative expenses on the consolidated statement of operations included in Audited Financial Statements and Supplementary Data of SSE below. Our operating costs include $8.0 million and $15.7 million of rent expense associated with our lease of these facilities for the years ended December 31, 2014 and 2013, respectively. Our general and administrative expenses include $0.2 million and $0.8 million of rent expense associated with our lease of these facilities for the years ended December 31, 2014 and 2013, respectively.

(b) Rig rent expense associated with our lease of drilling rigs is included in operating costs on the consolidated statement of operations included in Audited Financial Statements and Supplementary Data of SSE below. As of December 31, 2014, we had repurchased all of our leased drilling rigs.

	Years Ended December 31,		
	2015	2014	2013
		(in thousands)	
Cash provided by operating activities	$ 284,106	$ 265,296	$ 337,071
Add:			
Changes in assets and liabilities	(163,356)	88,588	(36,731)
Interest expense	99,267	79,734	56,786
Lease termination costs		9,701	22,362
Amortization of sale/leaseback gains		5,414	15,995
Amortization of deferred financing costs	(4,623)	(6,122)	(2,928)
Loss on sale of a business and exit costs	(9)		
Income (loss) from equity investees	878	(1,594)	831
Provision for doubtful accounts	(1,375)	(2,887)	(436)
Current tax expense	58	674	1,422
Severance-related costs	6,433	2,017	3,896
Rent expense on buildings and real estate transferred from CHK(a)		8,187	16,459
Rig rent expense(b)		18,900	76,923
Interest Income	(1,353)		
Other	717	(150)	(1,641)
Less:			
Drilling rig relocation and logistics Adjusted EBITDA	(9,745)	17,450	17,490
Water hauling Adjusted EBITDA	(4,531)	(1,364)	2,417
Compression unit manufacturing Adjusted EBITDA		13,073	18,965
Geosteering Adjusted EBITDA		957	2,870
Crude hauling Adjusted EBITDA		(5,066)	15,771
Non-recurring credit to stock compensation expense		10,530	
Adjusted EBITDA	$ 235,019	$ 432,178	$ 432,496

(a) Rent expense on buildings and real estate transferred from CHK as part of the spin-off is included in operating costs and general and administrative expenses on the consolidated statement of operations included in Audited Financial Statements and Supplementary Data of SSE below. Our operating costs include $8.0 million and $15.7 million of rent expense associated with our lease of these facilities for the years ended December 31, 2014 and 2013, respectively. Our general and administrative expenses include $0.2 million and $0.8 million of rent expense associated with our lease of these facilities for the years ended December 31, 2014 and 2013, respectively.

(b) Rig rent expense associated with our lease of drilling rigs is included in operating costs on the consolidated statement of operations included in Audited Financial Statements and Supplementary Data of SSE below. As of

December 31, 2014, we had repurchased all of our leased drilling rigs.

Table of Contents

Drilling

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Net (loss) income	$ (30,454)	$ 49,528	$ (17,378)
Add:			
Income tax (benefit) expense	(12,741)	30,471	(8,982)
Depreciation and amortization	163,380	140,884	133,745
Impairment of goodwill	27,434		
Impairments and other	14,329	29,602	71,548
Losses on sales of property and equipment, net	10,566	17,931	663
Non-cash compensation	10,745	17,188	
Rent expense on buildings and real estate transferred from CHK		1,688	3,574
Severance-related costs	1,263	374	1,384
Rig rent expense		18,900	76,923
Less:			
Geosteering Adjusted EBITDA		957	2,870
Non-recurring credit to stock compensation expense		4,318	
Adjusted EBITDA	$ 184,522	$ 301,291	$ 258,607

Hydraulic Fracturing

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Net (loss) income	$ (15,990)	$ 38,985	$ 40,472
Add:			
Income tax (benefit) expense	(6,690)	24,563	26,752
Depreciation and amortization	70,605	72,105	69,507
Impairments		207	
Losses (gains) on sales of property and equipment, net	230	(17)	
Non-cash compensation	3,440	3,369	
Impairment of equity method investment	8,806	4,500	
Severance-related costs	351	226	
Rent expense on buildings and real estate transferred from CHK		1,259	2,158
Less:			
Non-recurring credit to stock compensation expense		477	
Adjusted EBITDA	$ 60,752	$ 144,720	$ 138,889

199

Table of Contents

Oilfield Rentals

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Net loss	$ (28,353)	$ (1,705)	$ (1,001)
Add:			
Income tax benefit	(11,863)	(754)	(1,543)
Depreciation and amortization	41,049	52,680	59,559
Impairments		955	1
Gains on sales of property and equipment, net	(1,780)	(2,355)	(1,146)
Non-cash compensation	1,917	2,691	
Severance-related costs	175	702	962
Rent expense on buildings and real estate transferred from CHK		1,415	2,555
Less:			
Non-recurring credit to stock compensation expense		601	
Adjusted EBITDA	$ 1,145	$ 53,028	$ 59,387

Liquidity and Capital Resources

We require capital to fund ongoing operations, including operating expenses, organic growth initiatives, investments, acquisitions and debt service. We expect our future capital needs will be provided for by cash on hand, cash flows from operations, borrowings under our credit facility and other financing transactions. We believe we will have adequate liquidity over the next twelve months to operate our business and meet our cash requirements.

As of December 31, 2015, we had cash of $130.6 million and working capital of $175.5 million. As of December 31, 2014, we had cash of $0.9 million and working capital of $208.6 million.

We have retained restructuring advisors and are actively exploring and evaluating various strategic alternatives to reduce the level of our long-term debt and lower our future cash interest obligations, including debt repurchases, exchanges of existing debt securities for new debt securities and exchanges or conversions of existing debt securities for new equity securities, among other options. The timing and outcome of these efforts is highly uncertain and one or more of these strategic alternatives could potentially be consummated, without the consent of any one or more of our current security holders, through voluntary bankruptcy proceedings. Although we believe that we will have adequate liquidity over the next twelve months to operate our business and to meet our cash requirements, based on current market conditions, we believe that a reduction of our long-term debt is needed to improve our financial position and flexibility and to better position us to take advantage of the growth opportunities that are likely to result from the current industry downturn.

Table of Contents

Long-Term Debt

The following table presents our long-term debt as of December 31, 2015 and 2014:

	December 31,	
	2015	2014
	(in thousands)	
6.625% Senior Notes due 2019	$ 650,000	$ 650,000
6.50% Senior Notes due 2022	450,000	500,000
Term Loans	493,250	398,000
Credit Facility		50,500
Total debt	1,593,250	1,598,500
Less: Current portion of long-term debt	5,000	4,000
Total principal amount long-term debt(a)	1,588,250	1,594,500
Less: Unamortized deferred financing costs(a)	23,658	22,259
Total long-term debt(a)	$ 1,564,592	$ 1,572,241

(a) Please read Note 2 to our consolidated financial statements included in Audited Financial Statements and Supplementary Data of SEE below.

On May 13, 2015, we entered into an incremental term supplement to the Term Loan and borrowed an additional $100.0 million in aggregate principal amount (the Incremental Term Loan), receiving net proceeds of $94.5 million. Borrowings under the Incremental Term Loan bear interest at our option at either (i) LIBOR, with a floor of 1.00% or (ii) the Base Rate, calculated as the greatest of (1) the Bank of America, N.A. prime rate, (2) the federal funds rate plus 0.50% and (3) a one-month LIBOR rate adjusted daily plus 1.00%, plus, in each case, an applicable margin. The applicable margin for borrowings is 9.00% for LIBOR loans and 8.00% for Base Rate loans, depending on whether the Base Rate or LIBOR is used. As of December 31, 2015, the applicable rate for borrowings under the Incremental Term Loan was 10.00%. The Incremental Term Loan is payable in equal consecutive quarterly installments equal to 0.25% (1.00% per annum) of the original principal amount of the Incremental Term Loan and will mature in full on June 25, 2021.

During 2015, we repurchased and cancelled $50.0 million in aggregate principal amount of the 2022 Notes in multiple transactions for $31.3 million. We recognized gains on extinguishment of debt of $18.1 million, which included accelerated amortization of deferred financing costs of $0.6 million.

For further information on our long-term debt, please read Note 6 to our consolidated financial statements included in Audited Financial Statements and Supplementary Data of SSE below.

Capital Expenditures

Our business is capital-intensive, requiring significant investment to maintain, upgrade and purchase equipment to meet our customers needs and industry demand. Our capital requirements have consisted primarily of:

growth capital expenditures, which are defined as capital expenditures made to acquire additional equipment and other assets, increase our service lines, expand geographically or advance other strategic initiatives for the purpose of growing our business;

maintenance capital expenditures, which are defined as capital expenditures that are necessary to maintain the service capability of our existing assets and include the replacement of components and equipment which are worn or obsolete; and

prior to 2015, the purchase of leased drilling rigs.

Table of Contents

Total capital expenditures were $205.7 million, $457.6 million and $349.8 million for the years ended December 31, 2015, 2014 and 2013, respectively. During the year ended December 31, 2014, we purchased 45 leased drilling rigs for approximately $158.4 million and paid lease termination costs of approximately $9.7 million, which ended our drilling rig leasing program. For the year ended December 31, 2013, we purchased 23 leased drilling rigs for approximately $140.2 million and paid lease termination costs of approximately $22.4 million. We currently expect to spend approximately $100.0 million in aggregate growth and maintenance capital expenditures in 2016. We may increase, decrease or re-allocate our anticipated capital expenditures during any period based on industry conditions, the availability of capital or other factors, and a significant component of our anticipated capital spending is discretionary. In addition, from time to time we may use cash on hand in excess of our budgeted capital expenditures to repurchase and cancel our outstanding long-term debt or our common stock, subject to approval by our Board of Directors.

Cash Flow

Our cash flow depends in large part on the level of spending by our customers on exploration, development and production activities. Sustained increases or decreases in the price of oil or natural gas could have a material impact on these activities, thus materially affecting our future cash flows. The following is a discussion of our cash flow for the years ended December 31, 2015, 2014 and 2013.

	Years Ended December 31, 2015	2014 (in thousands)	2013
Cash Flow Statement Data:			
Net cash provided by operating activities	$ 284,106	$ 265,296	$ 337,071
Net cash used in investing activities	$ (159,667)	$ (367,646)	$ (296,817)
Net cash provided by (used in) financing activities	$ 5,318	$ 101,563	$ (39,803)
Cash, beginning of period	$ 891	$ 1,678	$ 1,227
Cash, end of period	$ 130,648	$ 891	$ 1,678

Operating Activities. Cash provided by operating activities was $284.1 million, $265.3 million and $337.1 million for the years ended December 31, 2015, 2014 and 2013, respectively. Changes in working capital items increased (decreased) cash flow provided by operating activities by $163.4 million, ($88.6) million, and $36.7 million for the years ended December 31, 2015, 2014 and 2013, respectively. During the year ended December 31, 2015, the increase in cash provided by operating activities due to changes in working capital items was impacted by the timing of collection of accounts receivable and the decline in overall operational activity. Factors affecting changes in operating cash flows are largely the same as those that affect net income, with the exception of non-cash expenses such as depreciation and amortization, amortization of sale-leaseback gains, amortization of deferred financing costs, gains on early extinguishment of debt, loss on sale of a business, gains or losses on sales of property and equipment, impairments, non-cash compensation, income or losses from equity investees and deferred income taxes.

Investing Activities. Cash used in investing activities was $159.7 million, $367.6 million and $296.8 million for the years ended December 31, 2015, 2014 and 2013, respectively. Capital expenditures are the main component of our investing activities. The majority of our capital expenditures for the years ended December 31, 2015, 2014 and 2013 were related to our investment in PeakeRigs and the purchase of certain leased drilling rigs. We purchased 45 leased drilling rigs for approximately $158.4 million during 2014 and 23 leased drilling rigs for approximately $140.2 million during 2013. Cash used in investing activities was partially offset by proceeds from the sale of Hodges of $15.0 million during the second quarter of 2015 and proceeds from asset sales in the amounts of $27.7 million,

$88.6 million and $50.6 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Financing Activities. Net cash provided by (used in) financing activities was $5.3 million, $101.6 million and ($39.8) million for the years ended December 31, 2015, 2014 and 2013, respectively. We had borrowings and repayments under our credit facility of $160.1 million and $210.6 million, respectively, during 2015. We had borrowings and repayments under our credit facility of $1.201 billion and $1.556 billion, respectively, during 2014. We had borrowings and repayments under our credit facility of $1.217 billion and $1.230 billion, respectively, during 2013. During 2015, we borrowed $100.0 million under the Incremental Term Loan and received net proceeds of $94.5 million. We also repurchased and cancelled $50.0 million in aggregate principal amount of the 2022 Notes in multiple transactions for $31.3 million during 2015. During 2014, we (i) issued $500.0 million in aggregate principal amount of 6.50% Senior Notes due 2022 and used the net proceeds of $493.8 million from the 2022 Notes issuance to make a distribution of approximately $391.0 million to CHK and for general corporate purposes, and (ii) we entered into a $400.0 million seven-year term loan credit agreement and used the net proceeds of $393.9 million to repay and terminate the Old Credit Facility. We paid $0.8 million and $3.6 million in deferred financing costs in 2015 and 2014, respectively. We made term loan repayments of $4.8 million and $2.0 million during 2015 and 2014, respectively. For the years ended December 31, 2014 and 2013 our distributions to CHK were $422.8 million and $29.9 million, respectively.

Results of Operations

Years Ended December 31, 2015, 2014 and 2013

The following table sets forth our consolidated statements of operations for the years ended December 31, 2015, 2014 and 2013.

	Years Ended December 31,		
	2015	2014	2013
		(in thousands)	
Revenues:			
Revenues	$ 1,131,244	$ 2,080,892	$ 2,188,205
Operating Expenses:			
Operating costs	855,870	1,580,353	1,717,709
Depreciation and amortization	295,421	292,912	289,591
General and administrative	112,141	108,139	80,354
Loss on sale of a business	35,027		
Losses (gains) on sales of property and equipment, net	14,656	(6,272)	(2,629)
Impairment of goodwill	27,434		
Impairments and other	18,632	30,764	74,762
Total Operating Expenses	1,359,181	2,005,896	2,159,787
Operating (Loss) Income	(227,937)	74,996	28,418
Other (Expense) Income:			
Interest expense	(99,267)	(79,734)	(56,786)
Gains on early extinguishment of debt	18,061		
Loss and impairment from equity investees	(7,928)	(6,094)	(958)
Other income	3,052	664	1,758
Total Other Expense	(86,082)	(85,164)	(55,986)

Loss Before Income Taxes	(314,019)	(10,168)	(27,568)
Income Tax Benefit	(92,628)	(2,189)	(7,833)
Net Loss	$ (221,391)	$ (7,979)	$ (19,735)

203

Table of Contents

Comparison of Years Ended December 31, 2015 and 2014

Revenues. Revenues and Adjusted Revenues for 2015 decreased $949.6 million and $723.3 million, respectively, compared to 2014, primarily due to decreased utilization and increased pricing pressure. The percentage of our revenues derived from CHK was 70% and 81% for 2015 and 2014, respectively.

	Years Ended December 31,	
	2015	2014
	(in thousands)	
Drilling	$ 436,404	$ 774,530
Hydraulic fracturing	575,495	885,907
Oilfield rentals	76,587	153,120
Oilfield trucking	42,739	190,479
Other operations	19	76,856
Total	$ 1,131,244	$ 2,080,892
Adjusted Revenues(a):		
Revenue	$ 1,131,244	$ 2,080,892
Less:		
Drilling rig relocation and logistics revenues	34,408	120,311
Water hauling revenues	8,331	46,339
Compression unit manufacturing revenues		74,650
Geosteering revenues		3,940
Crude hauling revenues		23,829
Adjusted Revenues	$ 1,088,505	$ 1,811,823

(a) Adjusted Revenues is a non-GAAP financial measure we define as revenues before revenues associated with our drilling rig relocation and logistics business and water hauling assets that were sold in the second quarter of 2015, our compression unit manufacturing and geosteering businesses that were distributed to CHK and our crude hauling assets that were sold to a third party as part of the spin-off. For a description of our calculation of Adjusted Revenues and the reasons our management uses this measure to evaluate our business, please read How We Evaluate Our Operations and Non-GAAP Financial Measures.

Table of Contents

Operating Costs. Operating costs and Adjusted Operating Costs for 2015 decreased $724.5 million and $516.7 million, respectively, compared to 2014. The decrease was primarily due to a decrease in labor-related costs, reduced utilization in our drilling and rental segments and a decrease in product costs in our hydraulic fracturing segment. As a percentage of Adjusted Revenues, Adjusted Operating Costs were 74% and 73% for 2015 and 2014, respectively. The percentage increase was due to declines in utilization.

	Years Ended December 31,	
	2015	**2014**
	(in thousands)	
Drilling	$ 231,544	$ 499,059
Hydraulic fracturing	494,554	735,967
Oilfield rentals	68,317	102,025
Oilfield trucking	54,674	180,084
Other operations	6,781	63,218
Total	$ 855,870	$ 1,580,353
Adjusted Operating Costs (a):		
Operating costs	$ 855,870	$ 1,580,353
Less:		
Rig relocation and logistics operating costs	42,577	104,729
Water hauling operating costs	12,097	48,101
Rig rent expense		18,900
Compression unit manufacturing operating costs		60,616
Geosteering operating costs		2,895
Crude hauling operating costs		27,254
Adjusted Operating Costs	$ 801,196	$ 1,317,858

(a) Adjusted Operating Costs is a non-GAAP financial measure of operating costs that excludes operating costs associated with our rig relocation and logistics business and water hauling assets that were sold in the second quarter of 2015, our compression unit manufacturing and geosteering businesses that were distributed to CHK and our crude hauling assets that were sold to a third party as part of the spin-off, further adjusted to subtract rig rent expense. For a description of our calculation of Adjusted Operating Costs and the reasons why our management uses this measure to evaluate our business, see How We Evaluate Our Operations and Non-GAAP Financial Measures.

Drilling

	Years Ended December 31,	
	2015	**2014**

	(in thousands)	
Revenues	$ 436,404	$ 774,530
Operating costs	231,544	499,059
Gross margin	$ 204,860	$ 275,471
Adjusted EBITDA	$ 184,522	$ 301,291

Drilling revenues for 2015 decreased $338.1 million, or 44%, compared to 2014, due to a 51% decrease in revenue days, which represents the aggregate number of days that each active rig generated revenue. Revenues from non-CHK customers decreased $92.0 million in 2015 as compared to 2014. However, revenues from non-CHK customers increased to 39% of total segment revenues in 2015, compared to 34% in 2014.

Table of Contents

Drilling operating costs for 2015 decreased $267.5 million, or 54%, from 2014, primarily as result of a decrease in labor-related costs, lower repairs and maintenance expense and the elimination of rig rent expense. As a percentage of drilling revenues, drilling operating costs were 53% and 64% for 2015 and 2014, respectively. The percentage decrease was due to declines in labor-related costs.

Hydraulic Fracturing

	Years Ended December 31,	
	2015	2014
	(in thousands)	
Revenues	$ 575,495	$ 885,907
Operating costs	494,554	735,967
Gross margin	$ 80,941	$ 149,940
Adjusted EBITDA	$ 60,752	$ 144,720

Hydraulic fracturing revenues for 2015 decreased $310.4 million, or 35%, compared to 2014, which was primarily due to a 40% decrease in revenue per stage from 2014 to 2015, partially offset by an 8% increase in completed stages from 2014 to 2015. The decrease in revenue per stage was primarily due to market pricing pressure. Revenues from non-CHK customers increased $75.7 million to 17% of total segment revenues in 2015, compared to 3% in 2014.

Hydraulic fracturing operating costs for 2015 decreased $241.4 million, or 33% compared to 2014, primarily due to a decrease in product costs partially offset by increases in transportation. As a percentage of hydraulic fracturing revenues, hydraulic fracturing operating costs increased from 83% in 2014 to 86% in 2015 primarily due to increases in transportation and increased pricing pressure.

Oilfield Rentals

	Years Ended December 31,	
	2015	2014
	(in thousands)	
Revenues	$ 76,587	$ 153,120
Operating costs	68,317	102,025
Gross margin	$ 8,270	$ 51,095
Adjusted EBITDA	$ 1,145	$ 53,028

Oilfield rental revenues for 2015 decreased $76.5 million, or 50%, compared to 2014, due to a decline in utilization and pricing pressure. Revenues from non-CHK customers increased $16.5 million to 59% of total segment revenues in 2015, compared to 19% in 2014.

Oilfield rental operating costs for 2015 decreased $33.7 million, or 33% compared to 2014. The decrease was primarily due to a decrease in repairs and maintenance expense due to lower utilization and a decrease in labor-related costs. As a percentage of oilfield rental revenues, oilfield rental operating costs were 89% and 67% for 2015 and 2014, respectively. The percentage increase was due to one-time labor-related costs in 2015 and significant declines in fleet utilization without corresponding decreases in operating costs.

Table of Contents

Former Oilfield Trucking

	Years Ended December 31,	
	2015	2014
	(in thousands)	
Revenues	$ 42,739	$ 190,479
Operating costs	54,674	180,084
Gross margin	$ (11,935)	$ 10,395

During the second quarter of 2015, we sold our drilling rig relocation and logistics business and water hauling assets. As of June 30, 2015, there were no remaining assets or operations in this former segment.

Other Operations

	Years Ended December 31,	
	2015	2014
	(in thousands)	
Revenues	$ 19	$ 76,856
Less:		
Compression unit manufacturing revenues		74,650
Adjusted Revenues(a):	$ 19	$ 2,206
Operating Costs	$ 6,781	$ 63,218
Less:		
Compression unit manufacturing operating costs		60,616
Adjusted Operating Costs (a)	$ 6,781	$ 2,602

(a) Adjusted Revenues and Adjusted Operating Costs are non-GAAP financial measures that we define as revenues and operating costs before revenues and operating costs associated with the compression unit manufacturing business distributed to CHK as part of the spin-off. For a description of our calculation of Adjusted Revenues and Adjusted Operating Costs and the reasons why our management uses this measure to evaluate our business, please read How We Evaluate Our Operations and Non-GAAP Financial Measures.

Our other operations currently consists of corporate functions. As part of the spin-off, we distributed our compression manufacturing business to CHK, which was historically included in our other operations results.

Depreciation and Amortization. Depreciation and amortization for the years ended December 31, 2015 and 2014 was $295.4 million and $292.9 million, respectively. The increase is primarily due to a change in the estimated useful lives of certain components of drilling rigs and certain drilling rigs. Please read Note 2 to our consolidated financial statements included in Audited Financial Statements and Supplementary Data of SSE below. As a percentage of revenues, depreciation and amortization expense was 26% and 14% for 2015 and 2014, respectively.

General and Administrative Expenses. General and administrative expenses for the years ended December 31, 2015 and 2014 were $112.1 million and $108.1 million, respectively. The increase was primarily due to an increase in non-cash compensation expenses, which was partially offset by a decrease in CHK transition services costs. We incurred non-cash compensation expenses of $30.2 million and $19.4 million in addition to severance-related costs of $6.4 million and $2.0 million for the years ended December 31, 2015 and 2014, respectively. Included in the non-cash compensation expenses and severance-related costs for 2015 are

$2.1 million and $0.6 million, respectively, related to the sale of Hodges. Prior to the spin-off, we were allocated corporate overhead from CHK which covered functions such as legal, accounting, treasury, environmental safety, information technology and other corporate services. Under this allocation, we incurred charges of $26.8 million in 2014. During 2015 and 2014, we incurred charges of $8.3 million and $18.0 million, respectively, for services provided by CHK pursuant to the transition services agreement. As of June 30, 2015, SSE terminated all remaining services being provided by CHK. As a percentage of revenues, general and administrative expenses were 10% and 5% for the years ended December 31, 2015 and 2014, respectively.

Loss on Sale of a Business. On June, 14, 2015, we sold Hodges for aggregate consideration of $42.0 million, comprised of $15.0 million in cash and a $27.0 million secured promissory note due June 15, 2020. We recognized a loss of $35.0 million on the sale during 2015.

Losses (Gains) on Sales of Property and Equipment, net. We recorded losses (gains) on sales of property and equipment of approximately $14.7 million and ($6.3) million during the years ended December 31, 2015 and 2014, respectively. During 2015, we sold our water hauling and ancillary equipment not utilized in our business. During 2014, we sold 28 Tier 3 drilling rigs and ancillary drilling equipment and our crude hauling assets, which included 124 fluid handling trucks and 122 trailers.

Impairment of Goodwill. During the fourth quarter of 2015, we recognized an impairment loss of $27.4 million on the goodwill associated with our 2011 Bronco acquisition. See Note 2 of Audited Financial Statements and Supplementary Data of SSE below for further discussion.

Impairments and Other. During 2015 and 2014, we recognized impairments of $18.6 million and $30.8 million, respectively. During 2015, we recognized impairment charges of $8.7 million, $5.2 million and $2.7 million related to drilling-related services equipment, certain drilling rigs and trucking and fluid disposal equipment, respectively, which we determined were impaired based on the expected future cash flows for these rigs and equipment. During 2014, we recognized impairment charges of $8.4 million related to drilling rigs we deemed to be impaired based on our assessment of future demand and the suitability of the identified rigs in light of this demand. We paid lease termination costs of $9.7 million during the year ended December 31, 2014. During 2014, we recognized impairments of $11.2 million related to certain drilling rigs and spare equipment that we had identified as held for sale. See Note 5 of Audited Financial Statements and Supplementary Data of SSE below for further details.

We identified certain other property and equipment during the years ended December 31, 2015 and 2014 that we deemed to be impaired based on our assessment of the market value and expected future cash flows of the related long-lived assets. We recorded impairment charges of $2.0 million and $1.5 million during the years ended December 31, 2015 and 2014, respectively, related to these assets.

Interest Expense. Interest expense for the years ended December 31, 2015 and 2014 was $99.3 million and $79.7 million, respectively, related to borrowings under our senior notes, term loans and credit facility. The increase in interest expense from 2014 to 2015 was primarily due to additional debt issued in conjunction with the spin-off along with the $100.0 million Incremental Term Loan. These debt increases were partially offset by the repurchase and cancellation of $50.0 million in aggregate principal amount of 6.50% Senior Notes due 2022.

Gains on Extinguishment of Debt. During 2015, we repurchased and cancelled $50.0 million in aggregate principal amount of the 2022 Notes in multiple transactions for $31.3 million. We recognized gains on extinguishment of debt of $18.1 million, which reflected the accelerated amortization of deferred financing costs of $0.6 million.

Loss and Impairment from Equity Investees. Loss and impairment from equity investees was $7.9 million and $6.1 million for the years ended December 31, 2015 and 2014, respectively, which was a result of our 49%

membership interest in Maalt Specialized Bulk, L.L.C. (Maalt). We recorded non-cash impairment charges of $8.8 million and $4.5 million for the years ended December 31, 2015 and 2014, respectively, which resulted from an excess of carrying value over the estimated fair value for this investment.

Other Income. Other income for the years ended December 31, 2015 and 2014 was $3.1 million and $0.7 million, respectively.

Income Tax Benefit. We recorded an income tax benefit of $92.6 million and $2.2 million for the years ended December 31, 2015 and 2014, respectively. The $90.4 million increase in income tax benefit recorded for 2015 was primarily the result of an increase in our pre-tax loss from $10.2 million in 2014 to $314.0 million in 2015. Our effective income tax rate for 2015 and 2014 was 29% and 22%, respectively. The increase in our effective tax rate from 2014 to 2015 was primarily the result of permanent differences having a greater impact on our effective income tax rate due to lower pre-tax loss base in 2014 compared to 2015.

Comparison of Years Ended December 31, 2014 and 2013

Revenues. For 2014 and 2013, revenues were $2.081 billion and $2.188 billion, respectively. The $107.3 million decrease from 2013 to 2014 was primarily due was due to the distribution to CHK of our compression unit manufacturing and geosteering businesses and the sale of our crude hauling assets to a third party as part of the spin-off. Our Revenues and Adjusted Revenues for 2014 and 2013 are detailed below:

	Years Ended December 31,	
	2014	2013
	(in thousands)	
Drilling	$ 774,530	$ 740,812
Hydraulic fracturing	885,907	897,809
Oilfield rentals	153,120	160,241
Oilfield trucking	190,479	244,380
Other operations	76,856	144,963
Total	$ 2,080,892	$ 2,188,205
Adjusted Revenues(a):		
Revenue	$ 2,080,892	$ 2,188,205
Less:		
Rig relocation and logistics revenues	120,311	135,493
Water hauling revenues	46,339	48,242
Compression unit manufacturing revenues	74,650	143,995
Geosteering revenues	3,940	8,516
Crude hauling revenues	23,829	60,645
Adjusted Revenues	$ 1,811,823	$ 1,791,314

(a)

Adjusted Revenues is a non-GAAP financial measure we define as revenues before revenues associated with our drilling rig relocation and logistics business and water hauling assets that were sold in the second quarter of 2015, our compression unit manufacturing and geosteering businesses that were distributed to CHK and our crude hauling assets that were sold to a third party as part of the spin-off. For a description of our calculation of Adjusted Revenues and the reasons our management uses this measure to evaluate our business, please read How We Evaluate Our Operations and Non-GAAP Financial Measures.

Operating Costs. Operating costs decreased $137.4 million and Adjusted Operating Costs increased $13.2 million in 2014 compared to 2013. The decline in operating costs was due to the distribution to CHK of our compression unit manufacturing and geosteering businesses and the sale of our crude hauling assets to a third party as part of the spin-off. As a percentage of Adjusted Revenues, Adjusted Operating Costs were 73% and 73% for the 2014 and 2013, respectively.

Table of Contents

	Years Ended December 31, 2014	2013
	(in thousands)	
Drilling	$ 499,059	$ 543,279
Hydraulic fracturing	735,967	740,439
Oilfield rentals	102,025	101,746
Oilfield trucking	180,084	207,692
Other operations	63,218	124,553
Total	$ 1,580,353	$ 1,717,709
Adjusted Operating Costs (a):		
Operating costs	$ 1,580,353	$ 1,717,709
Less:		
Rig relocation and logistics operating costs	104,729	117,620
Water hauling operating costs	48,101	46,011
Rig rent expense	18,900	76,923
Compression unit manufacturing operating costs	60,616	123,020
Geosteering operating costs	2,895	5,427
Crude hauling operating costs	27,254	44,061
Adjusted Operating Costs	$ 1,317,858	$ 1,304,647

(a) Adjusted Operating Costs is a non-GAAP financial measure that we define as operating costs before operating costs associated with our drilling rig relocation and logistics business and water hauling assets that were sold in the second quarter of 2015, our compression unit manufacturing and geosteering businesses that were distributed to CHK and our crude hauling assets that were sold to a third party as part of the spin-off, further adjusted to subtract rig rent expense. For a description of our calculation of Adjusted Operating Costs and the reasons why our management uses this measure to evaluate our business, please read How We Evaluate Our Operations and Non-GAAP Financial Measures.

Drilling

	Years Ended December 31, 2014	2013
	(in thousands)	
Revenues	$ 774,530	$ 740,812
Operating costs	499,059	543,279
Gross margin	$ 275,471	$ 197,533
Adjusted EBITDA	$ 301,291	$ 258,607

Drilling revenues for 2014 increased $33.7 million, or 5%, compared to 2013, primarily due to an increase in revenue days of 2,155 days, or 8%. Revenues from non-CHK customers increased $113.6 million to 34% of total segment revenues in 2014, compared to 20% in 2013.

Drilling operating costs for 2014 decreased $44.2 million, or 8%, compared to 2013, primarily as result of a $58.0 million reduction in rig rent expense due to the repurchase of 45 drilling rigs during 2014. As a percentage of drilling revenues, drilling operating costs were 64% and 73% for 2014 and 2013, respectively. As a percentage of drilling revenues, rig rent expense was 2% and 10% for 2014 and 2013, respectively.

Table of Contents

Hydraulic Fracturing

	Years Ended December 31, 2014	2013
	(in thousands)	
Revenues	$ 885,907	$ 897,809
Operating costs	735,967	740,439
Gross margin	$ 149,940	$ 157,370
Adjusted EBITDA	$ 144,720	$ 138,889

Hydraulic fracturing revenues for 2014 decreased $11.9 million, or 1%, compared to 2013. This decrease was due to a 15% decrease in revenue per stage from 2013 to 2014, partially offset by a 16% increase in completed stages from 2013 to 2014. The decrease in revenue per stage was primarily due to market pricing pressure. Revenues from non-CHK customers increased $22.0 million to 3% of total segment revenues in 2014.

Hydraulic fracturing operating costs for 2014 decreased $4.5 million compared to 2013, primarily due to a decrease in product costs, partially offset by an increase in repairs and maintenance expenses. As a percentage of hydraulic fracturing revenues, hydraulic fracturing operating costs increased from 82% in 2013 to 83% in 2014.

Oilfield Rentals

	Years Ended December 31, 2014	2013
	(in thousands)	
Revenues	$ 153,120	$ 160,241
Operating costs	102,025	101,746
Gross margin	$ 51,095	$ 58,495
Adjusted EBITDA	$ 53,028	$ 59,387

Oilfield rental revenues for 2014 decreased $7.1 million, or 4%, compared to 2013. The decrease was primarily due to market pricing pressure for certain of our equipment. Revenues from non-CHK customers increased $21.0 million to 19% of total segment revenues in 2014, compared to 5% in 2013.

Oilfield rental operating costs for 2014 increased $0.3 million, or less than 1%, compared to 2013. As a percentage of oilfield rental revenues, oilfield rental operating costs were 67% and 63% for 2014 and 2013, respectively. The increase in oilfield rental operating costs as a percentage of oilfield rental revenues was primarily attributable to market pricing pressure for certain services, which compressed margins, and an increase in labor-related costs related to the expansion of our business development organization. As a percentage of oilfield rental revenues, labor-related costs were 32% and 29% in 2014 and 2013, respectively.

Former Oilfield Trucking

	Years Ended December 31,	
	2014	2013
	(in thousands)	
Revenues	$ 190,479	$ 244,380
Operating costs	180,084	207,692
Gross margin	$ 10,395	$ 36,688

Table of Contents

Oilfield trucking revenues for 2014 decreased $53.9 million or 22%, compared to 2013. The decrease was primarily due to the sale of our crude hauling assets to a third party in the second quarter of 2014. Revenues from non-CHK customers increased $26.9 million to 32% of total segment revenues in 2014, compared to 14% in 2013.

Oilfield trucking operating costs for 2014 decreased $27.6 million, or 13%, compared to 2013. As a percentage of oilfield trucking revenue, oilfield trucking operating costs were 95% and 85% for 2014 and 2013, respectively. The increase in operating costs as a percentage of revenue was primarily attributable to an increase in labor-related costs due to higher wages in a competitive market for trucking labor, and secondarily, a decrease in utilization of our assets which resulted in fixed costs being spread over a smaller revenue base. As a percentage of oilfield trucking revenues, labor-related costs were 46% and 42% for 2014 and 2013, respectively.

During the second quarter of 2014, we sold our crude hauling assets to a third party. The operating results related to the crude hauling assets were historically included in our oilfield trucking segment and the associated revenues and operating costs are detailed below:

	Years Ended December 31,	
	2014	2013
	(in thousands)	
Revenues	$ 23,829	$ 60,645
Operating costs	27,254	44,061
Gross margin	$ (3,425)	$ 16,584

Other Operations

	Years Ended December 31,	
	2014	2013
	(in thousands)	
Revenues	$ 76,856	$ 144,963
Operating costs	63,218	124,553
Gross margin	$ 13,638	$ 20,410

Our other operations currently consists of corporate functions. As part of the spin-off, we distributed our compression unit manufacturing business to CHK, which was historically included in our other operations results. For 2014, revenues from our other operations decreased $68.1 million compared to 2013, which was primarily attributable to the distribution of our compression unit manufacturing business to CHK.

For 2014, operating costs for our other operations decreased $61.3 million compared to 2013, which was primarily attributable to the distribution of our compression unit manufacturing business to CHK. This business was historically included in our other operations results and the associated revenues and operating costs are detailed below:

	Years Ended December 31, 2014	2013
	(in thousands)	
Revenues	$ 74,650	$ 143,995
Operating costs	60,616	123,020
Gross margin	$ 14,034	$ 20,975

212

Table of Contents

Depreciation and Amortization. Depreciation and amortization for the years ended December 31, 2014 and 2013 was $292.9 million and $289.6 million, respectively. The increase reflects the additional investments in our asset base as a result of capital expenditures, primarily for new hydraulic fracturing equipment and PeakeRigs . As a percentage of revenues, depreciation and amortization expense was 14% and 13% for 2014 and 2013, respectively.

General and Administrative Expenses. General and administrative expenses for the years ended December 31, 2014 and 2013 were $108.1 million and $80.4 million, respectively. The increase was primarily due to an increase in labor-related costs and secondarily, the incremental costs of being a stand-alone public entity and implementing an enterprise resource planning system. Prior to the spin-off, we were allocated corporate overhead from CHK which covered functions such as legal, accounting, treasury, environmental safety, information technology and other corporate services. These charges from CHK were $26.8 million and $55.5 million for 2014 and 2013, respectively. Following the spin-off, we incurred charges of $18.0 million for services provided to us by CHK pursuant to a transition services agreement. As a percentage of revenues, general and administrative expenses were 5% and 4% for 2014 and 2013, respectively.

Gains on Sales of Property and Equipment. During the year ended December 31, 2014, we sold 28 drilling rigs and ancillary equipment not utilized in our business as well as our crude hauling fleet, which included 124 fluid handling trucks and 122 trailers. During the year ended December 31, 2013, we sold 14 drilling rigs and ancillary equipment not utilized in our business. We recorded net gains on sales of property and equipment of approximately $6.3 million and $2.6 million related to these asset sales during the years ended December 31, 2014 and 2013, respectively.

Impairments and Other. During the years ended December 31, 2014 and 2013, we recognized $11.2 million and $23.6 million, respectively, of impairment charges for certain drilling rigs and spare equipment that we identified for sale as part of our broader strategy to divest non-essential drilling rigs. We also identified certain drilling rigs during the years ended December 31, 2014 and 2013 that we deemed to be impaired based on our assessment of future demand, and the suitability of the identified rigs in light of this demand. We recorded impairment charges of $8.4 million and $25.4 million during the years ended December 31, 2014 and 2013, respectively, related to these drilling rigs.

During the year ended December 31, 2014, we purchased 45 of our drilling rigs for approximately $158.4 million and paid lease termination costs of $9.7 million. During the year ended December 31, 2013, we purchased 23 of our drilling rigs for approximately $140.2 million and paid lease termination costs of $22.4 million.

We identified certain other property and equipment during the years ended December 31, 2014 and 2013 that we deemed to be impaired based on our assessment of the fair value of such assets. We recorded impairment charges of $1.5 million and $3.4 million during the years ended December 31, 2014 and 2013, respectively, related to these assets.

Interest Expense. Interest expense for the years ended December 31, 2014 and 2013 was $79.7 million and $56.8 million, respectively. The increase in interest expense from 2013 to 2014 was due to the additional debt issued in conjunction with the spin-off.

Loss and Impairment from Equity Investees. Loss and impairment from equity investees was $6.1 million and $1.0 million for the years ended December 31, 2014 and 2013, respectively, which was a result of our investments in Maalt Specialized Bulk, L.L.C. (Maalt) and Big Star Crude Co., L.L.C. (Big Star). We own 49% of the membership interest in Maalt. In the second quarter of 2014, we recorded a non-cash impairment charge of $4.5 million, which resulted from an excess of carrying value over the estimated fair value for this investment. During the year ended December 31, 2013, we sold our membership interest in Big Star and recorded a loss on sale of $1.8 million.

213

Table of Contents

Other Income. Other income for the years ended December 31, 2014 and 2013 was $0.7 million and $1.8 million, respectively.

Income Tax Benefit. We recorded income tax benefit of $2.2 million and $7.8 million for the years ended December 31, 2014 and 2013, respectively. The $5.6 million decrease in income tax benefit recorded for 2014 was primarily the result of a decrease in our pre-tax loss from $27.6 million in 2013 to $10.2 million in 2014. Our effective income tax rate for 2014 and 2013 was 22% and 28%, respectively. The decrease in our effective tax rate from 2013 to 2014 was primarily the result of permanent differences having a greater impact on our effective income tax rate due to lower pre-tax loss base in 2014 compared to 2013.

Contractual Commitments and Obligations

In the normal course of business, we enter into various contractual obligations that impact, or could impact, our liquidity. The following table summarizes our material obligations as of December 31, 2015:

	Payments Due by Period				
	Total	**Less Than 1 Year**	**1-3 Years**	**4-5 Years**	**More Than 5 Years**
			(unaudited) (in thousands)		
Principal Amount of Long-Term Debt(a):					
6.625% Senior Notes due 2019(b)	$ 650,000	$	$	$ 650,000	$
6.50% Senior Notes due 2022(b)	450,000				450,000
Term Loans	493,250	5,000	10,000	10,000	468,250
Interest(c)	505,404	97,329	193,759	144,366	69,950
Purchase obligations(d)	69,029	69,029			
Operating leases(e)	11,931	6,324	4,889	718	
Total	$ 2,179,614	$ 177,682	$ 208,648	$ 805,084	$ 988,200

(a) Please read Note 2 to our consolidated financial statements included in Audited Financial Statements and Supplementary Data of SSE below.
(b) Please read Note 6 to our consolidated financial statements included in Audited Financial Statements and Supplementary Data of SSE below.
(c) Amount includes contractual interest payments on the 2019 Senior Notes, 2022 Senior Notes and Term Loans.
(d) Consists of unconditional obligations to purchase equipment. Please read Note 8 to our consolidated financial statements included in Audited Financial Statements and Supplementary Data of SSE below.
(e) Consists of rail car and other operating leases. Amounts disclosed assume no exercise of options to renew or extend the leases. Please read Note 8 to our consolidated financial statements included in Audited Financial Statements and Supplementary Data of SSE below.

Off-Balance Sheet Arrangements

As of December 31, 2015, we were party to five lease agreements with various third parties to utilize 725 lease rail cars for initial terms of five to seven years. Additional rental payments are required for the use of rail cars in excess of the allowable mileage stated in the respective agreement. We account for these leases as operating leases.

As of December 31, 2015, we were also party to various lease agreements for other property and equipment with varying terms. We account for these leases as operating leases.

Table of Contents

Aggregate undiscounted minimum future lease payments as of December 31, 2015 under our rail car and other operating leases are presented below:

	Rail Cars	Other (in thousands)	Total
2016	$ 5,298	$ 1,026	$ 6,324
2017	2,724	553	3,277
2018	1,430	182	1,612
2019	715	3	718
Total	$ 10,167	$ 1,764	$ 11,931

Other Commitments

Much of the equipment we purchase requires long production lead times. As a result, we usually have outstanding orders and commitments for such equipment. As of December 31, 2015, we had $69.0 million of purchase commitments related to future inventory and capital expenditures that we expect to incur in 2016.

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America, which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method, based on estimates, assumptions and judgments relative to the assets estimated useful lives and salvage values. These estimates are based on various factors, including age (in the case of acquired assets), manufacturing specifications, technological advances and historical data concerning useful lives of similar assets. Upon the disposition of an asset, we eliminate the cost and related accumulated depreciation and include any resulting gain or loss in the consolidated statements of operations as (gains) losses on the sale of property and equipment. Expenditures for maintenance and repairs that do not add capacity or extend the useful life of an asset are expensed as incurred.

Interest is capitalized on the average amount of accumulated expenditures for major capital projects under construction using a weighted average interest rate based on our outstanding borrowings until the underlying assets are placed into service. The capitalized interest is added to the cost of the assets and amortized to depreciation expense over the useful life of the assets.

Impairment of Long-Lived Assets

We review our long-lived assets, such as property and equipment, whenever, in management s judgment, events or changes in circumstances indicate the carrying amount of the assets may not be fully recoverable. Factors that might indicate a potential impairment include a significant decrease in the market value of the long-lived asset, a significant change in the long-lived asset s physical condition, a change in industry conditions or a reduction in cash flows associated with the use of the long-lived asset. If these or other factors indicate the carrying amount of the asset may not be recoverable, we determine whether an impairment has occurred through analysis of the future undiscounted cash flows of the asset. If an impairment has occurred, we recognize a loss for the difference between the carrying amount and the fair market value of the asset. We measure the fair value of the asset using market prices or, in the absence of market prices, based on an estimate of discounted cash flows.

Table of Contents

During 2015, other than in the second quarter of 2015 when oil prices improved and averaged $57.85 per barrel, the sustained decline in commodity prices since mid-2014 significantly reduced the level of onshore United States drilling and completions activity and, consequently, the demand for our services. As of December 31, 2015, NYMEX WTI oil spot prices had declined significantly to their lowest levels since 2003. Due to the prolonged period of depressed oil and natural gas prices and the further deterioration of industry conditions in the fourth quarter of 2015, management deemed it necessary to assess the recoverability of the long-lived asset groups for drilling, hydraulic fracturing and oilfield rentals. We performed a Step 1 analysis as required by ASC 360-10-35 to assess the recoverability of the long-lived assets within these segments. With respect to these assets, future cash flows were estimated over the expected remaining useful life of the assets and on an undiscounted basis. Based on the analysis, we determined that, other than for certain Tier 2 drilling rigs, estimated cash flows exceeded the carrying value of the long-lived assets, and no impairment was indicated as of December 31, 2015. The estimated cash flows for the drilling and hydraulic fracturing asset groups include the backlog of contract revenues, which was approximately $355.8 million and $282.7 million, respectively, as of December 31, 2015. Assets not under contracts will be subject to pricing in the spot market. Utilization and rates for assets in the spot market were estimated based upon our management s experience in prior downturns. Also, the estimated cash flows are based on the assumption that activity levels in drilling, hydraulic fracturing and oilfield rentals will begin to recover in the first half of 2017 in response to improved oil and natural gas prices. While management believes its assumptions are reasonable, actual events may vary materially from assumptions. The timing and the extent to which oil and natural gas prices will recover is highly uncertain. Potential events that could affect our assumptions include factors such as:

- market supply and demand for oil and natural gas,
- domestic and international military, political, economic and weather conditions,
- the desire and ability of the Organization of Petroleum Exporting Countries, commonly known as OPEC, to set and maintain production and price targets that support oil and natural gas prices,
- legal and other limitations or restrictions on exportation and/or importation of oil and natural gas,
- technical advances affecting energy consumption and production,
- the price and availability of alternative fuels,
- the cost of exploring for, developing, producing and delivering oil and natural gas, and
- regulations regarding the exploration, development, production and delivery of oil and natural gas.

All of these factors, as well as others discussed in the Risk Factors section of this joint proxy statement/prospectus, may cause actual results to differ and vary beyond our control. If the current lower oil and natural gas commodity price and capital spending environment were to last into 2017 and beyond, our actual cash flows would likely be less than the estimated cash flows used in our assessment and could result in impairment charges in the future, which could be material. See Note 5 for discussion of impairments recognized.

Goodwill, Intangible Assets and Amortization

Goodwill represents the cost in excess of fair value of the net assets of businesses acquired. Goodwill is not amortized. Intangible assets with finite lives are amortized on a basis that reflects the pattern in which the economic benefits of the intangible assets are realized, which is generally on a straight-line basis over an asset s estimated useful life.

We review goodwill for impairment annually on October 1 or more frequently if events or changes in circumstances indicate that the carrying amount of the reporting unit exceeds its fair value. Circumstances that could indicate a potential impairment include a significant adverse change in the economic or business climate, a significant adverse change in legal factors, an adverse action or assessment by a regulator, unanticipated competition, loss of key personnel and the likelihood that a reporting unit or significant portion of a reporting unit will be sold or otherwise disposed of. We have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of one of our reporting units is greater than its carrying amount. If, after assessing the totality of events or circumstances, we determine it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, then there is no need to perform any further testing. However, if we conclude otherwise, accounting guidance requires a two-step process for testing impairment. First, the fair value of each reporting unit is compared to its carrying value to determine whether an indication of impairment exists. Second, if impairment is indicated, the fair value of the reporting unit s goodwill is determined by allocating the unit s fair value to its assets and liabilities (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination on the impairment test date. The amount of impairment for goodwill is measured as the excess of the carrying value of the reporting unit over its fair value. We have the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test.

When estimating fair values of a reporting unit for our goodwill impairment test, we use the income approach. The income approach provides an estimated fair value based on the reporting unit s anticipated cash flows that are discounted using a weighted average cost of capital rate. Estimated cash flows are primarily based on projected revenues, operating expenses and capital expenditures and are discounted using comparable industry average rates for weighted average cost of capital.

In response to further deterioration of industry conditions in the fourth quarter of 2015, the Company determined that there were indications of impairment present. During the fourth quarter of 2015, the Company completed its assessment and recognized an impairment loss of $27.4 million on the goodwill associated with Bronco acquisition.

Revenue Recognition

We recognize revenue when services are performed, collection of receivables is reasonably assured, persuasive evidence of an arrangement exists and the price is fixed or determinable.

Drilling. We earn revenues by drilling oil and natural gas wells for our customers under daywork contracts. We recognize revenue on daywork contracts for the days completed based on the day rate each contract specifies. Payments received and costs incurred for mobilization services are recognized as earned over the days of mobilization. We also recognize revenue for contract termination fees paid by our customers. Under certain of our contracts, we have agreed to allow customers to pay the termination cost over the life of the contract in lieu of a lump sum, and we refer to a rig in this circumstance as idle but contracted or IBC . IBC payments are structured to preserve our anticipated operating margins for the affected rigs through the end of the contract terms and are recognized as revenue over the life of the contract.

Hydraulic Fracturing. We recognize revenue upon the completion of each fracturing stage. We typically complete one or more fracturing stages per day per active crew during the course of a job. A stage is considered complete when the customer requests or the job design dictates that pumping discontinue for that stage. Invoices typically include a lump sum equipment charge determined by the rate per stage each contract specifies and product charges for sand, chemicals and other products actually consumed during the course of providing our services.

Oilfield Rentals. We rent many types of oilfield equipment, including drill pipe, drill collars, tubing, blowout preventers, frac tanks, mud tanks and environmental containment. We also provide air drilling, flowback services and services associated with the transfer of water to the wellsite for well completions. We price our rentals and services by the day or hour based on the type of equipment rented and the services performed and recognize revenue ratably over the term of the rental.

Former Oilfield Trucking. During the second quarter of 2015, we sold our drilling rig relocation and logistics business and water hauling assets. As of June 30, 2015, there were no remaining assets or operations in this former segment.

Table of Contents

Income Taxes

Through the effective date of the spin-off, our operations were included in the consolidated federal income tax return and other state returns for CHK. The income tax provision for the period before the spin-off has been prepared on a separate return basis for us and all of our subsidiaries. Accordingly, we have recognized deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases for all our subsidiaries as if each entity were a corporation, regardless of its actual characterization for U.S. federal income tax purposes. Effective with the spin-off, we entered into a tax sharing agreement with CHK which governs the respective rights, responsibilities and obligations of each company, for tax periods prior to the spin-off, with respect to the payment of taxes, filing of tax returns, reimbursement of taxes, control of audits and other tax proceedings, liability for taxes that may be triggered as a result of the spin-off and other matters regarding taxes. Following the spin-off, we are not entitled to federal income tax net operating loss (NOL) carryforwards that were generated prior to the spin-off and that have historically been reflected in our net deferred income tax liabilities on our consolidated balance sheet.

A valuation allowance for deferred tax assets is recognized when it is more likely than not that some or all of the benefit from the deferred tax asset will not be realized. To assess that likelihood, we use estimates and judgment regarding our future taxable income, as well as the jurisdiction in which such taxable income is generated, to determine whether a valuation allowance is required. Such evidence can include our current financial position, our results of operations, both actual and forecasted, the reversal of deferred tax liabilities, and tax planning strategies as well as the current and forecasted business economics of our industry. We had no income tax valuation allowance as of December 31, 2015 and 2014.

The benefit of an uncertain tax position taken or expected to be taken on an income tax return is recognized in the consolidated financial statements at the largest amount that is more likely than not to be sustained upon examination by the relevant taxing authority. Interest and penalties, if any, related to uncertain tax positions would be recorded in interest expense and other expense, respectively. There were no uncertain tax positions as of December 31, 2015 and 2014.

New Accounting Pronouncements

In November 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-17, Income Taxes, which simplifies the presentation of deferred income taxes by requiring deferred tax liabilities and assets be classified as noncurrent in the balance sheet. ASU 2015-17 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, with early adoption permitted. We do not expect the adoption of this guidance to have a material effect on our consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory, which changes inventory measured using any method other than LIFO or the retail inventory method (for example, inventory measured using first-in, first-out (FIFO) or average cost) at the lower of cost and net realizable value. ASU 2015-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, with early adoption permitted. We do not expect the adoption of this guidance to have a material effect on our consolidated financial statements.

In August 2014, the FASB issued ASU No 2014-15, Presentation of Financial Statements Going Concern, which requires management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity s ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). ASU 2014-15 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, with early application permitted. We do not expect the adoption of this guidance to have a material effect on our consolidated financial statements.

[Table of Contents](#)

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which supersedes the revenue recognition requirements in Revenue Recognition (Topic 605) and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. In August 2015, the FASB deferred the effective date of ASU No. 2014-09 to annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period; the FASB also provided for early adoption for annual reporting periods beginning after December 15, 2016. We are currently evaluating what impact this standard will have on our consolidated financial statement.

Inflation

Inflation in the U.S. has been relatively low in recent years and did not have a material impact on our results of operations for the years ended December 31, 2015, 2014 and 2013. Although the impact of inflation has been insignificant in recent years, it is still a factor in the U.S. economy and we tend to experience inflationary pressure on the cost of energy services and equipment as increasing oil and natural gas prices increase activity in our areas of operations.

Quantitative and Qualitative Disclosures About Market Risk

Historically, we have provided a significant percentage of our oilfield services to CHK and its working interest partners. For the years ended December 31, 2015, 2014 and 2013, CHK accounted for approximately 70%, 81% and 90% of our revenues, respectively. The decline in commodity prices since mid-2014 has had an adverse effect on CHK s and our other customers capital spending, which has adversely impacted our cash flows and financial position. The extent and length of the current down cycle is uncertain. If it is prolonged or worsens, it could have a further adverse effect on our customers capital spending. This would likely have a material adverse impact on our cash flows and financial position and could adversely affect our ability to comply with the financial covenant under our credit facility and limit our ability to fund our planned capital expenditures.

Changes in interest rates affect the amount of interest we earn on our cash, cash equivalents and short-term investments and the interest rate we pay on borrowings under our credit facility and term loans. We have borrowings outstanding under our term loans and may in the future borrow under fixed rate and variable rate debt instruments that give rise to interest rate risk. For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows. Conversely, for variable rate debt, changes in interest rates generally do not impact the fair value of the debt instrument, but may affect our future earnings and cash flows. Our primary exposure to interest rate risk results from outstanding borrowings under our credit facility and term loans.

The following table provides information about our debt instruments that are sensitive to changes in interest rates. The table presents principal cash flows and related weighted-average interest rates by expected maturity dates. Weighted-average variable rates are based on effective rates at December 31, 2015.

	Fixed Rate Maturity (in thousands)	Average Interest Rate	Floating Rate Maturity (in thousands)	Average Interest Rate
2016	$		$ 5,000	5.000%
2017			5,000	5.000%

2018			5,000	5.000%
2019	650,000	6.625%	5,000	5.000%
After 2019	450,000	6.500%	473,250	5.008%
Total	$ 1,100,000		$ 493,250	
Fair Value	$ 293,840		$ 371,080	

Table of Contents

Our fuel costs, which consist primarily of diesel fuel used by our various trucks and other equipment, can expose us to commodity price risk and, as our hydraulic fracturing operations grow, we will face increased risks associated with the prices of materials used in hydraulic fracturing, such as sand and chemicals. The prices for fuel and these materials can be volatile and are impacted by changes in supply and demand, as well as market uncertainty and regional shortages.

Historically, we have not used derivative financial instruments to manage our exposure to these risks.

Management s Discussion and Analysis of Financial Condition and Results of Operations September 30, 2016

The following discussion and analysis of SSE s financial condition and results of operations relates to the two months ended September 30, 2016 (the Current Successor Quarter), the one month ended July 31, 2016 (the Current Predecessor Quarter), the seven months ended July 31, 2016 (the Current Predecessor Period), the three and nine months ended September 30, 2015 (the Prior Predecessor Quarter and the Prior Predecessor Period) and the three months ended June 30, 2016 (the Previous Predecessor Quarter) and should be read in conjunction with SSE s condensed consolidated financial statements and related notes beginning on page F-3.

Overview

SSE is a diversified oilfield services company providing a wide range of wellsite services to U.S. land-based exploration and production customers. SSE offers services and equipment that are strategic to its customers oil and natural gas operations. SSE conducts its business through three operating segments: Drilling, Hydraulic Fracturing and Oilfield Rentals. SSE s operations are geographically diversified across many of the most active oil and natural gas plays in the onshore United States, including the Anadarko and Permian Basins and the Eagle Ford, Haynesville, Marcellus, Niobrara and Utica Shales.

Since SSE commenced operations in 2001, it has actively grown its business and modernized its asset base. As of September 30, 2016, SSE s marketed rig fleet of 90 all-electric rigs consisted of 39 Tier 1 rigs (including 28 proprietary PeakeRigs) and 51 Tier 2 rigs. In addition, SSE had one rig under refurbishment, which it expects to deliver in the fourth quarter of 2016. As of September 30, 2016, SSE also owned 13 hydraulic fracturing fleets with an aggregate of 500,000 horsepower and a diversified oilfield rentals business.

Cyclical Nature of Industry

SSE operates in a highly cyclical industry. The main factor influencing demand for oilfield services is the level of drilling and completions activity by exploration and production companies, which in turn depends largely on current and anticipated future crude oil and natural gas prices and production depletion rates. Demand for oil and natural gas is cyclical and is subject to large and rapid fluctuations. When oil and natural gas prices increase, producers increase their capital expenditures, which generally results in greater revenues and profits for oilfield service companies. The increased capital expenditures also ultimately result in greater production, which historically has resulted in increased oil and gas supplies and reduced prices that, in turn, tend to reduce demand for oilfield services. For these reasons, SSE s results of operations may fluctuate from quarter-to-quarter and from year-to-year. For instance, the price of crude oil has fallen significantly from its peak in mid-year 2014, as a result of robust non-OPEC supply growth led by unconventional production in the United States, weakening demand in emerging markets and OPEC s decision to raise and maintain a higher production ceiling until recently, partly in an effort to protect its market share and drive higher cost producers out of the marketplace.

The sustained decline in commodity prices since mid-2014 has dramatically reduced the level of onshore United States drilling and completions activity and, consequently, the demand for SSE s services. The current downturn has begun to show signs of improvement, however, any long-term recovery continues to be uncertain and is dependent on a number of economic, geopolitical and monetary policy factors that are outside SSE s control. Until there is a sustained recovery in commodity prices, SSE expects that reduced equipment utilization levels and pricing pressure across each of its operating segments will persist. If drilling and completions activity remains at depressed levels or worsens, it could have a continued material adverse impact on SSE s business, financial condition, cash flows and results of operations.

Emergence from Voluntary Reorganization under Chapter 11 Proceedings and Related Events

On June 7, 2016, the Debtors filed the Bankruptcy Petitions for reorganization under Chapter 11 in the Bankruptcy Court. On July 14, 2016, the Bankruptcy Court entered the Confirmation Order. The Debtors satisfied the remaining conditions to effectiveness contemplated under the Plan and emerged from Chapter 11 on August 1, 2016.

Upon SSE s emergence from Chapter 11 bankruptcy, it adopted fresh-start accounting in accordance with the provisions of FASB ASC 852, Reorganizations which resulted in SSE becoming a new entity for financial reporting purposes. References to Successor relate to SSE on and subsequent to the Reorganization Effective Date and references to Predecessor refer to SSE prior to the Effective Date. Upon adoption of fresh-start accounting, SSE s assets and liabilities were recorded at their fair values as of the Effective Date. The Reorganization Effective Date fair values of SSE s assets and liabilities differed materially from the recorded values of SSE s assets and liabilities as reflected in its historical condensed consolidated balance sheet. The effects of the Plan and the application of fresh-start accounting are reflected in SSE s condensed consolidated financial statements as of July 31, 2016 and the related adjustments thereto are recorded in SSE s condensed consolidated statements of operations as reorganization items for the period ended July 31, 2016 (Predecessor Company).

As a result, SSE s condensed consolidated balance sheets and condensed consolidated statement of operations subsequent to the Effective Date are not comparable to SSE s condensed consolidated balance sheets and statements of operations prior to the Reorganization Effective Date. SSE s condensed consolidated financial statements and related footnotes are presented with a black line division which delineates the lack of comparability between amounts presented after July 31, 2016 and dates prior thereto. SSE s financial results for future periods following the application of fresh-start accounting will be different from historical trends and such differences may be material.

Backlog

SSE maintains a backlog of contract revenues under its contracts for the provision of drilling and hydraulic fracturing services. SSE s drilling and hydraulic fracturing backlogs as of September 30, 2016 were approximately $206.1 million and $67.4 million, respectively. SSE calculates its drilling backlog by multiplying the day rate under its contracts by the number of days remaining under the contract. SSE calculates its hydraulic fracturing backlog by multiplying the (i) rate per stage, which varies by operating region and is, therefore, estimated based on current customer activity levels by region and current contract pricing, by (ii) the number of stages remaining under the contract, which SSE estimates based on current and anticipated utilization of its crews. With respect to SSE s hydraulic fracturing backlog, its contracts provide for periodic adjustments of the rates SSE may charge for its services, which will be negotiated based on then-prevailing market pricing and in the future may be higher or lower than the current rates SSE charges and utilize in calculating its backlog. SSE s drilling backlog calculation does not include any reduction in revenues related to mobilization or demobilization, nor does it include potential reductions in rates for unscheduled standby or during periods in which the rig is moving, on standby or incurring maintenance and repair time in excess of what is permitted under the drilling contract. In addition, many of SSE s drilling contracts are subject to termination by the customer on short notice and provide for an early termination payment to SSE in the event that the contract is terminated by the customer. SSE calculates its contract drilling early termination value assuming each rig remains stacked for the remainder of the term of the terminated contract. As a result of the foregoing, revenues could differ materially from the backlog and early termination amounts presented.

Table of Contents

Following are details of SSE s drilling and hydraulic fracturing backlogs as of September 30, 2016 (in millions):

Drilling Backlog	**2016**	**2017**	**Thereafter**
Rig-years	11.3	23.6	3.5
Revenues	$ 60.2	$ 124.0	$ 21.9
Early termination value	$ 47.6	$ 88.8	$ 11.8

Hydraulic Fracturing Backlog	**2016**	**2017**	**Thereafter**
Revenues	$ 22.5	$ 44.9	$

As of September 30, 2016, SSE s hydraulic fracturing backlog had an average duration of 9 months.

How SSE Evaluates Its Operations

SSE s management team uses a variety of tools to monitor and manage its operations in the following six areas: (a) segment gross margin, (b) equipment maintenance performance, (c) customer satisfaction, (d) asset utilization, (e) safety performance and (f) Adjusted EBITDA.

Segment Gross Margin. SSE defines segment gross margin as segment revenues less segment operating costs. SSE views segment gross margin as one of its key management tools for managing costs at the segment level and evaluating segment performance. SSE management tracks segment gross margin both as an absolute amount and as a percentage of revenues compared to prior periods.

Equipment Maintenance Performance. Equipment reliability (uptime) is an important factor to the success of SSE s business. Uptime is beneficially impacted through preventive maintenance on SSE s equipment. SSE has formal preventive maintenance procedures which are regularly monitored for compliance. Further, management monitors maintenance expenses as a percentage of revenue. This metric provides a leading indicator with respect to the execution of preventive maintenance and ensures that equipment reliability issues do not negatively impact operational uptime.

Customer Satisfaction. Upon completion of many of its services, SSE encourages its customers to provide feedback on the services provided. The evaluation of SSE s performance is based on various criteria and its customer comments are indicative of their overall satisfaction level. This feedback provides SSE with the necessary information to reinforce positive performance and remedy negative issues and trends.

Asset Utilization. By consistently monitoring SSE s operations activity levels, pricing and relative performance of each of its rigs and fleets, SSE can more efficiently allocate its personnel and equipment to maximize revenue generation. SSE measures its activity levels by the total number of jobs completed by each of its drilling rigs and hydraulic fracturing fleets on a periodic basis. SSE also monitors the utilization rates of its drilling rigs. SSE defines utilization of its drilling rigs as the number of rigs that are operating divided by its marketed rig count.

Safety Performance. Maintaining a safe and incident-free workplace is a critical component of SSE s operational success. SSE s management team uses both lagging and leading indicators to measure and manage safety performance. Total Recordable Incident Rate (TRIR), Lost Time Incident Rate (LTIR) and Motor Vehicle Crash Rate (MVCR) are key lagging indicators reviewed by management. SSE also reviews leading indicators such as safety observations, training completion, and action item completion to enhance its view of safety performance. Safety performance data is reported, tracked, and trended in a centralized database, which allows SSE to efficiently focus its incident prevention efforts.

Adjusted EBITDA. The primary financial and operating measurement that SSE s management uses to analyze and monitor the operating performance of its business is Adjusted EBITDA, which SSE defines as net income before interest expense, income tax expense, depreciation and amortization, as further adjusted to add back gains on extinguishment of debt, gains or losses on sale of a business and exit costs, gains or losses on sale of property and equipment, impairments and other, non-cash stock compensation, severance-related costs, restructuring charges, reorganization items, interest income, and certain non-recurring items, such as the sale of SSE s drilling rig relocation and logistics business and the sale of SSE s water hauling assets.

The tables below shows SSE s Net (Loss) Income and Adjusted EBITDA for the two months ended September 30, 2016, one and seven months ended July 31, 2016, three and nine months ended September 30, 2015 and three months ended June 30, 2016. Please see Non-GAAP Financial Measure below for a reconciliation of Adjusted EBITDA to the GAAP financial measures of, on a consolidated basis, net loss and cash provided by operating activities, and for each of SSE s operating segments, net income or loss.

	Successor	Predecessor			Successor	Predecessor	
	Two Months Ended September 30, 2016	One Month Ended July 31, 2016	Three Months Ended September 30, 2015	Three Months Ended June 30, 2016	Two Months Ended September 30, 2016	Seven Months Ended July 31, 2016	Nine Months Ended September 30, 2015
	(In thousands)						
Net (Loss) Income:							
Consolidated	$ (36,528)	$ (11,640)	$ (48,530)	$ (84,505)	$ (36,528)	$ (155,710)	$ (160,800)
Drilling	$ 12,477	$ (149,123)	$ (6,392)	$ (651)	$ 12,477	$ (366,593)	$ (15,710)
Hydraulic Fracturing	$ (22,580)	$ (16,997)	$ (7,973)	$ (15,388)	$ (22,580)	$ (66,216)	$ (1,977)
Oilfield Rentals	$ (2,704)	$ (6,160)	$ (7,365)	$ (6,764)	$ (2,704)	$ (28,539)	$ (20,511)
Adjusted EBITDA:							
Consolidated	$ 8,468	$ 3,034	$ 41,059	$ 31,547	$ 8,468	$ 72,451	$ 178,723
Drilling(a)	$ 24,563	$ 12,908	$ 41,636	$ 40,622	$ 24,563	$ 99,558	$ 160,508
Hydraulic Fracturing(b)	$ (7,959)	$ (6,057)	$ 15,018	$ 2,776	$ (7,959)	$ 3,221	$ 72,246
Oilfield Rentals(c)	$ 614	$ 198	$ 1,522	$ 70	$ 614	$ (1,482)	$ 9,318

(a) During the three and nine months ended September 30, 2015, general and administrative expenses were allocated to the Drilling segment in the amount of $7.7 million and $24.2 million, respectively, for corporate functions provided by the Other Operations segment on behalf of the Drilling segment. No allocations were made in the Current Successor Quarter, Current Predecessor Quarter, Current Predecessor Period and Previous Predecessor Quarter. The allocations for the Prior Predecessor Quarter and Prior Predecessor Period have been retroactively revised in the table above.

(b) During the three and nine months ended September 30, 2015, general and administrative expenses were allocated to the Hydraulic Fracturing segment in the amount of $6.8 million and $19.6 million, respectively, for corporate functions provided by the Other Operations segment on behalf of the Hydraulic Fracturing segment. No allocations were made in the Current Successor Quarter, Current Predecessor Quarter, Current Predecessor Period and Previous Predecessor Quarter. The allocations for the Prior Predecessor Quarter and Prior Predecessor Period have been retroactively revised in the table above.

(c) During the three and nine months ended September 30, 2015, general and administrative expenses were allocated to the Oilfield Rentals segment in the amount of $2.4 million and $6.5 million, respectively, for corporate functions provided by the Other Operations segment on behalf of the Oilfield Rentals segment. No allocations were made in the Current Successor Quarter, Current Predecessor Quarter, Current Predecessor Period and Previous Predecessor Quarter. The allocations for the Prior Predecessor Quarter and Prior Predecessor Period have been retroactively revised in the table above.

Non-GAAP Financial Measure

Adjusted EBITDA is a non-GAAP financial measure. Adjusted EBITDA, as used and defined by SSE, may not be comparable to similarly titled measures employed by other companies and is not a measure of performance calculated in accordance with GAAP.

Adjusted EBITDA should not be considered in isolation or as a substitute for operating income, net income or loss, cash flows provided by operating, investing and financing activities, or other income or cash flow statement data prepared in accordance with GAAP. However, SSE s management uses Adjusted EBITDA to evaluate its performance and liquidity and believes Adjusted EBITDA may be useful to an investor in evaluating SSE s operating performance and liquidity because this measure:

is widely used by investors in the oilfield services industry to measure a company s operating performance without regard to items excluded from the calculation of such measure, which can vary

223

Table of Contents

substantially from company to company depending upon accounting methods, book value of assets, capital structure and the method by which assets were acquired, among other factors;

is a liquidity measure that is used by rating agencies, lenders and other parties to evaluate SSE s creditworthiness; and

is used by SSE s management for various purposes, including as a measure of performance for SSE s operating entities and as a basis for strategic planning and forecasting.

There are significant limitations to using Adjusted EBITDA as a measure of performance, including the inability to analyze the effect of certain recurring and non-recurring items that materially affect SSE s net income or loss. Additionally, because Adjusted EBITDA excludes some, but not all, items that affect net income and is defined differently by different companies in SSE s industry, SSE s definition of Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

On a consolidated basis, the following tables present a reconciliation of Adjusted EBITDA to the GAAP financial measures of net loss and cash provided by operating activities. The following tables also present a reconciliation of Adjusted EBITDA to the GAAP financial measure of net income or loss for each of SSE s operating segments.

Table of Contents

Consolidated

	Successor	Predecessor			Successor	Predecessor	
	Two Months Ended September 30, 2016	One Month Ended July 31, 2016	Three Months Ended September 30, 2015	Three Months Ended June 30, 2016	Two Months Ended September 30, 2016	Seven Months Ended July 31, 2016	Nine Months Ended September 30, 2015
	(In thousands)						
Net Loss	$ (36,528)	$ (11,640)	$ (48,530)	$ (84,505)	$ (36,528)	$ (155,710)	$ (160,800)
Add:							
Interest expense	6,185	2,374	25,480	20,464	6,185	48,116	73,964
Gains on extinguishment of debt			(4,975)				(18,061)
Income tax benefit		(28,102)	(17,544)	(22,956)		(59,131)	(74,455)
Depreciation and amortization	31,208	22,902	68,854	69,877	31,208	162,425	226,779
Losses (gains) on sale of a business and exit costs	177	126	1,355	(138)	177	135	36,344
(Gains) losses on sales of property and equipment, net	(798)	285	1,804	1,014	(798)	848	15,023
Impairments and other		22	1,566	5,789		6,116	16,720
Non-cash compensation	8,224	1,295	12,160	5,229	8,224	12,637	43,646
Severance-related costs	306	17	1,517	287	306	643	6,023
Restructuring charges	138	(502)		23,673	138	27,918	
Reorganization items, net	246	16,465		13,427	246	29,892	
Interest income	(690)	(208)	(628)	(614)	(690)	(1,438)	(736)
Less:							
Drilling rig relocation and logistics Adjusted EBITDA							(9,745)
Water hauling Adjusted EBITDA							(4,531)
Adjusted EBITDA	$ 8,468	$ 3,034	$ 41,059	$ 31,547	$ 8,468	$ 72,451	$ 178,723
Cash (used in) provided by operating activities	$ (7,752)	$ (20,553)	$ 103,985	$ 23,147	$ (7,752)	$ 6,469	$ 263,662

Add:							
Changes in operating assets and liabilities	11,755	2,123	(89,828)	(34,539)	11,755	(26,243)	(176,197)
Interest expense	6,185	2,374	25,480	20,464	6,185	48,116	73,964
Amortization of deferred financing costs	(41)	(168)	(1,246)	(1,046)	(41)	(2,455)	(3,381)
Accretion of discount on Term Loans	(2,077)				(2,077)		
Accretion of discount on Note Receivable	277				277		
(Loss) income from equity investees			(230)				877
Provision for doubtful accounts	(47)		654	(564)	(47)	(1,406)	(1,930)
Current tax benefit						(8)	
Exit costs of Former Oilfield Trucking	177	126	1,355	(138)	177	135	1,355
Severance-related costs	306	17	1,517	287	306	643	6,023
Restructuring charges	138	(502)		23,673	138	27,918	
Cash reorganization items, net	246	19,825		883	246	20,710	
Interest income	(690)	(208)	(628)	(614)	(690)	(1,438)	(736)
Other	(9)			(6)	(9)	10	810
Less:							
Drilling rig relocation and logistics Adjusted EBITDA							(9,745)
Water hauling Adjusted EBITDA							(4,531)
Adjusted EBITDA	$ 8,468	$ 3,034	$ 41,059	$ 31,547	$ 8,468	$ 72,451	$ 178,723

225

Table of Contents

Drilling

	Successor	Predecessor			Successor	Predecessor	
	Two Months Ended September 30, 2016	One Month Ended July 31, 2016	Three Months Ended September 30, 2015	Three Months Ended June 30, 2016	Two Months Ended September 30, 2016	Seven Months Ended July 31, 2016	Nine Months Ended September 30, 2015
	(In thousands)						
Net income (loss)	$ 12,477	$ (149,123)	$ (6,392)	$ (651)	$ 12,477	$ (366,593)	$ (15,710)
Add:							
Income tax benefit expense		(365,093)	(2,311)	(177)		(142,564)	(7,274)
Depreciation and amortization	11,710	11,999	38,197	36,857	11,710	87,160	125,936
(Gains) losses on sales of property and equipment, net	(77)	243	1,952	728	(77)	1,211	9,903
Impairments and other				2,900		3,205	12,417
Non-cash compensation	374	197	2,273	791	374	1,973	9,942
Severance-related costs		17	192	54		259	1,048
Corporate overhead allocation(a)			7,725				24,246
Restructuring charges	79	41		120	79	280	
Reorganization items, net		514,627				514,627	
Adjusted EBITDA	$ 24,563	$ 12,908	$ 41,636	$ 40,622	$ 24,563	$ 99,558	$ 160,508

(a) Prior to 2016, the information that was regularly reviewed by SSE s chief operating decision maker included general and administrative expenses that were allocated to each of SSE s reportable segments for corporate overhead functions provided by the Other Operations segment, on behalf of SSE s reportable segments. Effective January 1, 2016, SSE no longer allocates general and administrative expenses to its reportable segments from the Other Operations segment in the information that is reviewed by its chief operating decision maker. For comparability purposes, this change has been reflected through retroactive revision of the prior period segment information.

Hydraulic Fracturing

Successor	Predecessor			Successor	Predecessor	
Two Months	One Month	Three Months	Three Months	Two Months	Seven Months	Nine Months

	Ended September 30, 2016	Ended July 31, 2016	Ended September 30, 2015	Ended June 30, 2016	Ended September 30, 2016	Ended July 31, 2016	Ended September 30, 2015
			(In thousands)				
Net loss	$ (22,580)	$ (16,997)	$ (7,973)	$ (15,388)	$ (22,580)	$ (66,216)	$ (1,977)
Add:							
Income tax benefit		(41,612)	(2,882)	(4,180)		(25,750)	(916)
Depreciation and amortization	14,002	7,399	17,833	21,983	14,002	49,124	51,915
Losses on sales of property and equipment, net	40	19	172	2	40	66	171
Non-cash compensation	223	62	952	227	223	718	3,234
Severance-related costs	306		127	55	306	55	268
Corporate overhead allocation(a)			6,789				19,551
Restructuring charges	50	26		77	50	178	
Reorganization items, net		45,046				45,046	
Adjusted EBITDA	$ (7,959)	$ (6,057)	$ 15,018	$ 2,776	$ (7,959)	$ 3,221	$ 72,246

(a) Prior to 2016, the information that was regularly reviewed by SSE s chief operating decision maker included general and administrative expenses that were allocated to each of SSE s reportable segments for corporate overhead functions

226

provided by the Other Operations segment, on behalf of SSE s reportable segments. Effective January 1, 2016, SSE no longer allocates general and administrative expenses to its reportable segments from the Other Operations segment in the information that is reviewed by its chief operating decision maker. For comparability purposes, this change has been reflected through retroactive revision of the prior period segment information.

Oilfield Rentals

	Successor	Predecessor			Successor	Predecessor	
	Two Months Ended September 30, 2016	One Month Ended July 31, 2016	Three Months Ended September 30, 2015	Three Months Ended June 30, 2016	Two Months Ended September 30, 2016	Seven Months Ended July 31 2016	Nine Months Ended September 30, 2015
	(In thousands)						
Net loss	$ (2,704)	$ (6,160)	$ (7,365)	$ (6,764)	$ (2,704)	$ (28,539)	$ (20,511)
Add:							
Income tax benefit		(15,082)	(2,663)	(1,838)		(11,099)	(9,497)
Depreciation and amortization	3,966	2,425	8,912	7,847	3,966	18,773	31,659
(Gains) losses on sales of property and equipment, net	(750)	9	(329)	284	(750)	(425)	(777)
Impairments				287		287	
Non-cash compensation	75	26	483	76	75	285	1,868
Severance-related costs			105	135		173	93
Corporate overhead allocation(a)			2,379				6,483
Restructuring charges	27	14		43	27	97	
Reorganization items, net		18,966				18,966	
Adjusted EBITDA	$ 614	$ 198	$ 1,522	$ 70	$ 614	$ (1,482)	$ 9,318

(a) Prior to 2016, the information that was regularly reviewed by SSE s chief operating decision maker included general and administrative expenses that were allocated to each of SSE s reportable segments for corporate overhead functions provided by the Other Operations segment, on behalf of SSE s reportable segments. Effective January 1, 2016, SSE no longer allocates general and administrative expenses to its reportable segments from the Other Operations segment in the information that is reviewed by its chief operating decision maker. For comparability purposes, this change has been reflected through retroactive revision of the prior period segment information.

Liquidity and Capital Resources

SSE requires capital to fund ongoing operations, including operating expenses, organic growth initiatives, investments, acquisitions and debt service. SSE expects its future capital needs will be funded by cash flows from operations, borrowings under its New ABL Credit Facility, access to the capital markets and other financing transactions. SSE believes it will have adequate liquidity over the next twelve months to operate its business and meet its cash requirements.

As of September 30, 2016, SSE had cash of $23.0 million and working capital of $88.9 million. As of November 4, 2016, SSE had cash of $43.8 million and its New ABL Credit Facility remained undrawn. As of September 30, 2016, SSE had $2.6 million of purchase commitments related to future capital expenditures that it expects to incur in the fourth quarter of 2016.

SSE expects that its primary sources of liquidity will be from cash on hand, cash from operations and availability under its New ABL Credit Facility. On the Effective Date, by operation of the Plan, the DIP Facility was amended and restated, and the outstanding obligations pursuant thereto were converted to obligations under the New ABL Credit Facility.

Table of Contents

Long-Term Debt

The following table presents SSE s long-term debt as of September 30, 2016 and December 31, 2015 (in thousands):

	Successor September 30, 2016	Predecessor December 31, 2015
6.625% Senior Notes due 2019	$	$ 650,000
6.50% Senior Notes due 2022		450,000
Term Loans	428,347	493,250
Total debt	428,347	1,593,250
Less: Current portion of long-term debt	5,000	5,000
Less: Unamortized deferred financing costs		23,658
Total long-term debt	$ 423,347	$ 1,564,592

Capital Expenditures

SSE s business is capital-intensive, requiring significant investment to maintain, upgrade and purchase equipment to meet its customers needs and industry demand. SSE s capital requirements consist primarily of:

growth capital expenditures, which are defined as capital expenditures made to acquire additional equipment and other assets, increase SSE s service lines, expand geographically or advance other strategic initiatives for the purpose of growing SSE s business; and

maintenance capital expenditures, which are defined as capital expenditures that are necessary to maintain the service capability of SSE s existing assets and include the replacement of components and equipment which are worn or obsolete.

Total capital expenditures were $6.1 million, $82.8 million and $151.8 million for the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period, respectively. As of September 30, 2016, SSE had $2.6 million of purchase commitments related to future capital expenditures that it expects to incur in 2016. SSE may increase, decrease or reallocate its anticipated capital expenditures during any period based on industry conditions, the availability of capital or other factors, and a significant component of SSE s anticipated capital spending is discretionary. In addition, from time to time SSE may use cash on hand in excess of its budgeted capital expenditures to repurchase and cancel its outstanding long-term debt.

Cash Flow

SSE s cash flow depends in large part on the level of spending by its customers on exploration, development and production activities. Sustained increases or decreases in the price of oil or natural gas could have a material impact on these activities, thus materially affecting SSE s cash flows. The following is a discussion of SSE s cash flow for the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period.

	Successor	Predecessor	
	Two Months Ended September 30, 2016	Seven Months Ended July 31, 2016	Nine Months Ended September 30, 2015
		(Unaudited) (In thousands)	
Cash Flow Statement Data:			
Net cash (used in) provided by operating activities	$ (7,752)	$ 6,469	$ 263,662
Net cash used in investing activities	$ (2,278)	$ (80,126)	$ (114,904)
Net cash (used in) provided by financing activities	$ (4,716)	$ (19,241)	$ 6,570
Cash, beginning of period	$ 37,750	$ 130,648	$ 891
Cash, end of period	$ 23,004	$ 37,750	$ 156,219

Table of Contents

Operating Activities. Cash (used in) provided by operating activities was ($7.8) million, $6.5 million and $263.7 million for the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period, respectively. Changes in working capital items (decreased) increased cash provided by operating activities by ($11.8) million, $26.2 million and $176.2 million for the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period, respectively. Factors affecting changes in operating cash flows are largely the same as those that affect net income, with the exception of non-cash expenses such as depreciation and amortization, accretion of discounts on the Term Loans and Note Receivable, amortization of deferred financing costs, gains or losses on sales of property and equipment, impairments, non-cash compensation, income or losses from equity investees and deferred income taxes. Included in operating activities for the Current Predecessor Period are DIP Facility financing costs of $0.5 million.

Investing Activities. Cash used in investing activities was $2.3 million, $80.1 million and $114.9 million for the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period, respectively. Capital expenditures are the main component of SSE s investing activities. The majority of SSE s capital expenditures for the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period related to its investment in new PeakeRigs . Additionally, SSE purchased hydraulic fracturing equipment with an aggregate of 60,000 horsepower, at auction, for $10.6 million during the Current Predecessor Period. Cash used in investing activities was partially offset by proceeds from the sale of Hodges of $15.0 million during the Prior Predecessor Period and proceeds from asset sales in the amounts of $3.8 million, $2.6 million and $18.6 million for the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period, respectively. SSE also purchased $6.2 million of short-term investments and received proceeds of $6.2 million from the sale of short-term investments during the Current Predecessor Period.

Financing Activities. Net cash (used in) provided by financing activities was ($4.7) million, ($19.2) million and $6.6 million for the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period, respectively. During the Prior Predecessor Period, SSE had borrowings and repayments under its credit facility of $160.1 million and $210.6 million, respectively, and SSE borrowed $100.0 million under the Incremental Term Loan and received net proceeds of $94.5 million. SSE also repurchased and cancelled $50.0 million in aggregate principal amount of the 2022 Notes in multiple transactions for $31.3 million during the Prior Predecessor Period. SSE paid deferred borrowing costs of $1.2 million and $0.8 million during the Current Predecessor Period and Prior Predecessor Period, respectively. SSE made term loan repayments of $1.3 million, $17.5 million and $3.5 million during the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period, respectively.

Table of Contents

Results of Operations

Results of Operations Three Months Ended September 30, 2016 vs. Three Months Ended June 30, 2016

The following table sets forth financial information by operating segment and other selected information for the periods indicated. The Current Successor Quarter and the Current Predecessor Quarter and Previous Predecessor Quarter are distinct reporting periods as a result of SSE s emergence from bankruptcy on August 1, 2016. References in these results of operations to the change and the percentage change combine the Successor Company and Predecessor Company results for the Current Successor Quarter and Current Predecessor Quarter in order to provide comparability of such information to the Previous Predecessor Quarter. While this combined presentation is a non-GAAP presentation for which there is no comparable GAAP measure, management believes that providing this financial information is the most relevant and useful method for making comparisons to the periods indicated.

	Successor	Predecessor			
	(a)	(b)	(c)	(a) + (b) - (c)	
	Two Months Ended September 30, 2016	One Month Ended July 31, 2016	Three Months Ended June 30, 2016	Change	% Change
			(In thousands)		
Drilling:					
Revenue	$ 42,969	$ 20,085	$ 62,801	$ 253	%
Operating costs	18,836	7,433	22,984	3,285	14%
Depreciation and amortization	11,710	11,999	36,857	(13,148)	(36)%
General and administrative	79	58	174	(37)	(21)%
(Gains) losses on sales of property and equipment, net	(77)	243	728	(562)	(77)%
Impairments and other			2,900	(2,900)	(100)%
Operating Income (Loss)	$ 12,421	$ 352	$ (842)	$ 13,615	(1,617)%
Hydraulic Fracturing:					
Revenue	$ 30,540	$ 17,502	$ 66,913	$ (18,871)	(28)%
Operating costs	38,724	23,631	64,499	(2,144)	(3)%
Depreciation and amortization	14,002	7,399	21,983	(582)	(3)%
General and administrative	356	26	132	250	189%
Losses on sales of property and equipment, net	40	19	2	57	2,850%
Operating Loss	$ (22,582)	$ (13,573)	$ (19,703)	$ (16,452)	83%
Oilfield Rentals:					
Revenue	$ 6,147	$ 2,851	$ 8,406	$ 592	7%
Operating costs	5,688	2,681	8,413	(44)	(1)%
Depreciation and amortization	3,966	2,425	7,847	(1,456)	(19)%

General and administrative	27	14	177	(136)	(77)%
(Gains) losses on sales of property and equipment, net	(750)	9	284	(1,025)	(361)%
Impairments and other			287	(287)	(100)%
Operating Loss	$ (2,784)	$ (2,278)	$ (8,602)	$ 3,540	(41)%
Consolidated:					
Revenue	$ 79,656	$ 40,438	$ 138,120	$ (18,026)	(13)%
Operating costs	63,628	33,835	96,219	1,244	1%
Depreciation and amortization	31,208	22,902	69,877	(15,767)	(23)%
General and administrative	16,601	4,688	39,717	(18,428)	(46)%
(Gains) losses on sales of property and equipment, net	(798)	285	1,014	(1,527)	(151)%
Impairments and other		22	5,789	(5,767)	(100)%
Operating Loss	(30,983)	(21,294)	(74,496)	22,219	(30)%
Interest expense	(6,185)	(2,374)	(20,464)	11,905	(58)%
Other income	886	391	926	351	38%
Reorganization items, net	(246)	(16,465)	(13,427)	(3,284)	24%
Loss Before Income Taxes	(36,528)	(39,742)	(107,461)	31,191	(29)%
Income Tax Benefit		(28,102)	(22,956)	(5,146)	22%
Net Loss	$ (36,528)	$ (11,640)	$ (84,505)	$ 36,337	(43)%

Revenue

Revenues for the Current Successor Quarter and Current Predecessor Quarter decreased $18.0 million from the Previous Predecessor Quarter primarily due to significant reductions in pricing in SSE s hydraulic fracturing segment. This was partially offset by increased utilization in SSE s drilling and oilfield rental segments. The majority of SSE s revenues have historically been derived from CHK and its working interest partners. The percentage of SSE s revenues derived from CHK were 53% and 55% for the Current Successor Quarter and Current Predecessor Quarter, respectively, compared to 70% for the Previous Predecessor Quarter as the Company continues to diversify its customer base.

Drilling revenues for the Current Successor Quarter and Current Predecessor Quarter increased $0.3 million, or 0.4%, from the Previous Predecessor Quarter. This increase was primarily due to a 39% increase in revenue days as the average active rig count increased from 15 in the Previous Predecessor Quarter to 21 in the Current Successor Quarter and Current Predecessor Quarter, which was offset by a 27% decrease in IBC payments in the Current Successor Quarter and Current Predecessor Quarter compared to the Previous Predecessor Quarter. Average revenue per revenue day decreased 2% due to reactivation of rigs at spot market rates. Included in total revenues are amounts related to IBC payments of $16.5 million, $9.2 million and $35.3 million for the Current Successor Quarter, Current Predecessor Quarter and Previous Predecessor Quarter, respectively. The $9.4 million reduction in IBC payments in the Current Successor Quarter and the Current Predecessor Quarter compared to the Previous Predecessor Quarter is due to a reduction of lump sum termination payments. The Company has diversified its customer base in the drilling segment and increased its non-CHK revenue from 37% in the Previous Predecessor Quarter to 41% and 39% in the Current Successor Quarter and Current Predecessor Quarter, respectively.

Hydraulic fracturing revenues for the Current Successor Quarter and Current Predecessor Quarter decreased $18.9 million, or 28%, from the Previous Predecessor Quarter. This decrease was due to a 29% decline in revenue per stage as a result of significant reductions in pricing in order to maintain healthy long-term customer relationships and to continue to diversify SSE s business. The Company has diversified its customer base in the hydraulic fracturing segment and increased non-CHK customers from 21% in the Previous Predecessor Quarter to 52% and 49% in the Current Successor Quarter and Current Predecessor Quarter, respectively.

Oilfield rental revenues for the Current Successor Quarter and Current Predecessor Quarter increased $0.6 million, or 7%, from the Previous Predecessor Quarter. The increase was primarily due to higher utilization as the Company grows its customer base in the Permian Basin. The Company has diversified its customer base in the oilfield rentals segment and increased its non-CHK customers from 48% in the Previous Predecessor Quarter to 62% and 57% in the Current Successor Quarter and Current Predecessor Quarter, respectively.

Operating Costs

As a percentage of revenues, operating costs were 80% and 84% for the Current Successor Quarter and Current Predecessor Quarter, respectively, compared to 70% for the Previous Predecessor Quarter. Operating costs for the Current Successor Quarter and Current Predecessor Quarter increased $1.2 million, respectively, from the Previous Predecessor Quarter primarily due to an increase in fleet utilization in SSE s drilling segment and maintenance expense in SSE s hydraulic fracturing segment.

As a percentage of drilling revenues, drilling operating costs were 44% and 37% for the Current Successor Quarter and Current Predecessor Quarter, respectively, compared to 37% for the Previous Predecessor Quarter. Drilling operating costs for the Current Successor Quarter and Current Predecessor Quarter increased $3.3 million, or 14%, from the Previous Predecessor Quarter, primarily due to increases in fleet utilization. Average operating costs per revenue day for the Current Successor Quarter and Current Predecessor Quarter decreased 18% compared to the Previous Predecessor Quarter primarily due to declines in fixed labor-related costs. Drilling restructuring and reorganization charges were $514.7 million for the Current Predecessor Quarter and $0.1 million and for the Previous Predecessor Quarter, respectively.

As a percentage of hydraulic fracturing revenues, hydraulic fracturing operating costs were 127% and 135% for the Current Successor Quarter and Current Predecessor Quarter, respectively, compared to 96% for the

Table of Contents

Previous Predecessor Quarter. The increase was due to continued pricing pressure as well as increased repair and maintenance costs. Hydraulic fracturing operating costs for the Current Successor Quarter and Current Predecessor Quarter decreased $2.1 million, or 3% from the Previous Predecessor Quarter, primarily due to a 5% decrease in operating costs per stage. Hydraulic fracturing restructuring and reorganization charges were $45.1 million for the Current Predecessor Quarter and $0.1 million for the Previous Predecessor Quarter, respectively.

As a percentage of oilfield rental revenues, oilfield rental operating costs were 93% and 94% for the Current Successor Quarter and Current Predecessor Quarter, respectively, compared to 100% for the Previous Predecessor Quarter. The decrease was due to decreased fleet utilization. Oilfield rental operating costs for the Current Successor Quarter and Current Predecessor Quarter decreased $0.04 million, or 1%, from the Previous Predecessor Quarter. The decrease was primarily due to a decline in labor-related costs and subcontracting services. Oilfield rentals restructuring and reorganization charges were $19.0 million for the Current Predecessor Quarter and $0.04 million for the Previous Predecessor Quarter, respectively.

Other Financial Statement Items

Depreciation and Amortization. Depreciation and amortization for the Current Successor Quarter, Current Predecessor Quarter and Previous Predecessor Quarter were $31.2 million and $22.9 million and $69.9 million, respectively. The decrease is primarily due to the revaluation of SSE s assets associated with the adoption of fresh-start accounting. As a percentage of revenues, depreciation and amortization expense was 39%, 57% and 51% for the Current Successor Quarter, Current Predecessor Quarter and Previous Predecessor Quarter, respectively.

General and Administrative Expenses. General and administrative expenses for the Current Successor Quarter, Current Predecessor Quarter and Previous Predecessor Quarter were $16.6 million, $4.7 million and $39.7 million, respectively. General and administrative expenses for corporate functions settled in cash increased $0.6 million, or 6%, from $11.8 million in the Previous Predecessor Quarter to $8.4 million and $4.0 million in the Current Successor Quarter and Current Predecessor Quarter, primarily due to an increase in consulting fees. As a percentage of revenues, general and administrative expenses settled in cash were 11%, 10% and 9% for the Current Successor Quarter, Current Predecessor Quarter and Previous Predecessor Quarter, respectively.

Additionally, during the Current Successor Quarter, Current Predecessor Quarter and Previous Predecessor Quarter, SSE recognized restructuring charges of $0.3 million, ($0.4) million and $23.5 million, respectively, primarily related to professional fees incurred prior to the Chapter 11 filing. SSE incurred non-cash compensation expenses of $7.6 million, $1.0 million and $4.1 million and severance-related costs of $0.3 million, a nominal amount and $0.3 million during the Current Successor Quarter, Current Predecessor Quarter and Previous Predecessor Quarter, respectively.

Below is a breakout of general and administrative expenses incurred in the Current Successor Quarter, Current Predecessor Quarter and Previous Predecessor Quarter.

	Successor	**Predecessor**	
	Two Months Ended September 30, 2016	**One Month Ended July 31, 2016**	**Three Months Ended June 30, 2016**
		(In thousands)	

G&A expenses settled in cash	$ 8,428	$ 4,036	$ 11,760
Restructuring charges	315	(376)	23,535
Non-cash compensation expenses	7,552	1,011	4,135
Severance-related costs	306	17	287
Total General and Administrative Expenses	$ 16,601	$ 4,688	$ 39,717

(Gains) Losses on Sales of Property and Equipment, Net. SSE recorded (gains) losses on sales of property and equipment of ($0.8) million, $0.3 million and $1.0 million during the Current Successor Quarter, Current Predecessor Quarter and Previous Predecessor Quarter, respectively.

Impairments and Other. During the Current Predecessor Quarter and Previous Predecessor Quarter, SSE recognized impairment charges of a nominal amount and $5.8 million, respectively. During the Previous Predecessor Quarter, SSE recognized impairment charges of $2.9 million for drilling-related services equipment that SSE deemed to be impaired based on the expected future cash flows of this equipment. SSE also identified certain other property and equipment that it deemed to be impaired based on its assessment of the market value of the related property and equipment and recognized impairment charges of a nominal amount and $2.9 million related to this property and equipment during the Current Predecessor Quarter and Previous Predecessor Quarter, respectively.

Interest Expense. Interest expense for the Current Successor Quarter, Current Predecessor Quarter and Previous Predecessor Quarter was $6.2 million, $2.4 million and $20.5 million, respectively, related to borrowings under SSE s senior notes, term loans and credit facility during the Predecessor periods and term loans and credit facility during the Successor period. Subsequent to June 7, 2016, SSE did not record interest expense on the unsecured debt due to the Chapter 11 cases. Contractual interest expense for the Current Predecessor Quarter was $8.4 million.

Other Income. Other income was $0.9 million, $0.4 million and $0.9 million for the Current Successor Quarter, Current Predecessor Quarter and Previous Predecessor Quarter, respectively.

Reorganization Items, net. Reorganization items for the Current Successor Quarter and Current Predecessor Quarter totaled $0.2 million and $16.5 million, respectively, compared to $13.4 million for the Previous Predecessor Quarter. Below is a breakout of charges for each period.

	Successor	**Predecessor**	
	Two Months Ended September 30, 2016	**One Month Ended July 31, 2016**	**Three Months Ended June 30, 2016**
		(In thousands)	
Net gain on settlement of liabilities subject to compromise	$	$ (632,059)	$
Net loss on fresh-start adjustments		596,044	
Stock-based compensation acceleration expense		25,086	
Professional fees	246	19,823	405
Write-off of debt issuance costs		774	12,544
Fair value of warrants issued to Predecessor stockholders		6,797	
DIP credit agreement financings costs			478
Total Reorganization Items, net	$ 246	$ 16,465	$ 13,427

Income Tax Benefit. SSE recorded income tax benefit of $28.1 million and $23.0 million for the Current Predecessor Quarter and Previous Predecessor Quarter, respectively. The $5.1 million increase in income tax benefit was primarily the result of the tax effect of reorganization adjustments. In the Current Successor Quarter SSE recorded a valuation allowance of $12.9 million, which reduced its income tax benefit to zero in the period.

233

Table of Contents

Three Months Ended September 30, 2016 vs. Three Months Ended September 30, 2015

The following table sets forth financial information by operating segment and other selected information for the Current Successor Quarter, the Current Predecessor Quarter and Prior Predecessor Quarter, which are distinct reporting periods as a result of SSE s emergence from bankruptcy on August 1, 2016.

	Successor	Predecessor			
	(a)	(b)	(c)	(a) + (b) - (c)	
	Two Months Ended September 30, 2016	One Month Ended July 31, 2016	Three Months Ended September 30, 2015	Change	% Change
			(In thousands)		
Drilling:					
Revenue	$ 42,969	$ 20,085	$ 80,348	$ (17,294)	(22)%
Operating costs	18,836	7,433	41,387	(15,118)	(37)%
Depreciation and amortization	11,710	11,999	38,197	(14,488)	(38)%
General and administrative	79	58	7,917	(7,780)	(98)%
(Gains) losses on sales of property and equipment, net	(77)	243	1,952	(1,786)	(91)%
Operating Income (Loss)	12,421	352	(9,105)	$ 21,878	(240)%
Hydraulic Fracturing:					
Revenue	$ 30,540	$ 17,502	$ 118,137	$ (70,095)	(59)%
Operating costs	38,724	23,631	103,941	(41,586)	(40)%
Depreciation and amortization	14,002	7,399	17,833	3,568	20%
General and administrative	356	26	6,918	(6,536)	(94)%
Losses on sales of property and equipment, net	40	19	172	(113)	(66)%
Operating Loss	$ (22,582)	$ (13,573)	$ (10,727)	$ (25,428)	237%
Oilfield Rentals:					
Revenue	$ 6,147	$ 2,851	$ 15,047	$ (6,049)	(40)%
Operating costs	5,688	2,681	14,037	(5,668)	(40)%
Depreciation and amortization	3,966	2,425	8,912	(2,521)	(28)%
General and administrative	27	14	2,482	(2,441)	(98)%
(Gains)/Losses on sales of property and equipment, net	(750)	9	(329)	(412)	125%
Operating Loss	$ (2,784)	$ (2,278)	$ (10,055)	$ 4,993	(50)%
Consolidated:					
Revenue	$ 79,656	$ 40,438	$ 213,541	$ (93,447)	(44)%

Operating costs	63,628	33,835	160,889	(63,426)	(39)%
Depreciation and amortization	31,208	22,902	68,854	(14,744)	(21)%
General and administrative	16,601	4,688	26,709	(5,420)	(20)%
(Gains) losses on sales of property and equipment, net	(798)	285	1,804	(2,317)	(128)%
Impairments and other		22	1,566	(1,544)	(99)%
Operating Loss	(30,983)	(21,294)	(46,281)	(5,996)	13%
Interest expense	(6,185)	(2,374)	(25,480)	16,921	(66)%
Gains on early extinguishment of debt			4,975	(4,975)	(100)%
Loss from equity investee			(230)	230	(100)%
Other income	886	391	942	335	36%
Reorganization items, net	(246)	(16,465)		(16,711)	n/m
Loss Before Income Taxes	(36,528)	(39,742)	(66,074)	(10,196)	15%
Income Tax Benefit		(28,102)	(17,544)	(10,558)	60%
Net Loss	$ (36,528)	$ (11,640)	$ (48,530)	$ 362	(1)%

n/m means not meaningful.

Revenue

Revenues for the Current Successor Quarter and Current Predecessor Quarter decreased $93.4 million from the Prior Predecessor Quarter. The decrease was primarily due to decreased utilization and increased pricing pressure. The percentage of SSE s revenues derived from CHK was 53% and 55% for the Current Successor Quarter and Current Predecessor Quarter, respectively, compared to 64% for the Prior Predecessor Quarter, as the Company continues to diversify its customer base. Included in total revenue are amounts related to IBC payments of $16.5 million, $9.2 million and $22.6 million for the Current Successor Quarter, Current Predecessor Quarter and Prior Predecessor Quarter, respectively. Excluding the IBC revenues, the Company has diversified its customer base and increased non-CHK revenue from 38% in the Prior Predecessor Quarter to 58% and 55% in the Current Successor Quarter and Current Predecessor Quarter, respectively.

Drilling revenues for the Current Successor Quarter and Current Predecessor Quarter decreased $17.3 million, or 22%, from the Prior Predecessor Quarter, which was primarily due to a 24% decline in revenue days as the average active rig count dropped from 28 in the Prior Predecessor Quarter to 21 in the Current Successor Quarter and Current Predecessor Quarter. Average revenue per day for the Current Successor Quarter and Current Predecessor Quarter decreased 14% from the Prior Predecessor Quarter due to lower spot market rates. Revenues from non-CHK customers remained flat at 41% and 39% of total segment revenues in the Current Successor Quarter and Current Predecessor Quarter, respectively, compared to 42% for the Prior Predecessor Quarter. Included in total revenue are amounts related to IBC payments of $16.5 million, $9.2 million and $22.6 million for the Current Successor Quarter, Current Predecessor Quarter and Prior Predecessor Quarter, respectively. Excluding the IBC revenues, the Company has diversified its customer base in the drilling segment and increased non-CHK revenue from 50% in the Prior Predecessor Quarter to 64% in both the Current Successor Quarter and Current Predecessor Quarter, respectively.

Hydraulic fracturing revenues for the Current Successor Quarter and Current Predecessor Quarter decreased $70.1 million, or 59%, from the Prior Predecessor Quarter, which was primarily due to a 33% decrease in stages completed in addition to a 40% decline in revenue per stage due to pricing pressure. The Company has diversified its customer base in the hydraulic fracturing segment and increased non-CHK customers from 27% in the Prior Predecessor Quarter to 52% and 49% in the Current Successor Quarter and Current Predecessor Quarter, respectively.

Oilfield rental revenues for the Current Successor Quarter and Current Predecessor Quarter decreased $6.0 million, or 40%, from the Prior Predecessor Quarter, which was primarily due to a decline in utilization by non-CHK customers and pricing pressure. Revenues from non-CHK customers decreased $6.2 million to 62% and 57% of total segment revenues in the Current Successor Quarter and Current Predecessor Quarter, respectively, compared to 77% for the Prior Predecessor Quarter.

Operating Costs

As a percentage of revenues, operating costs were 80%, 84% and 75% for the Current Successor Quarter, Current Predecessor Quarter and Prior Predecessor Quarter, respectively. Operating costs for the Current Successor Quarter and Current Predecessor Quarter decreased $63.4 million from the Prior Predecessor Quarter. The decrease was due to declines in labor-related costs, a decline in utilization in each of SSE s segments and a decrease in product costs in SSE s hydraulic fracturing segment.

As a percentage of drilling revenues, drilling operating costs were 44%, 37% and 52% for the Current Successor Quarter, Current Predecessor Quarter and the Prior Predecessor Quarter, respectively. The decrease was primarily due to a higher proportion of IBC rigs, which generate revenue with little associated cost. Drilling operating costs for the Current Successor Quarter and Current Predecessor Quarter decreased $15.1 million, or 37%, from the Prior Predecessor Quarter, primarily due to a decrease in labor-related costs and lower fleet utilization. Drilling restructuring and reorganization charges were $0.1 million and $514.7 million for the Current Successor Quarter and Current Predecessor Quarter, respectively.

As a percentage of hydraulic fracturing revenues, hydraulic fracturing operating costs were 127%, 135% and 88% for the Current Successor Quarter, Current Predecessor Quarter and Prior Predecessor Quarter, respectively. The increase was due to continued pricing pressure as well as increased repair and maintenance costs. Hydraulic fracturing operating costs for the Current Successor Quarter and Current Predecessor Quarter decreased $41.6 million, or 40%, from the Prior Predecessor Quarter, primarily due to a 39% decrease in product costs. Hydraulic fracturing restructuring and reorganization charges were $0.1 million and $45.1 million for the Current Successor Quarter and Current Predecessor Quarter, respectively.

Table of Contents

As a percentage of oilfield rental revenues, oilfield rental operating costs were 93%, 94% and 93% for the Current Successor Quarter, Current Predecessor Quarter and Prior Predecessor Quarter, respectively. Oilfield rental operating costs for the Current Successor Quarter and Current Predecessor Quarter decreased $5.7 million, or 40%, from the Prior Predecessor Quarter, primarily due to lower utilization and a decrease in labor-related costs. Oilfield rentals restructuring and reorganization charges were a nominal amount and $19.0 million for the Current Successor Quarter and Current Predecessor Quarter, respectively.

Other Financial Statement Items

Depreciation and Amortization. Depreciation and amortization for the Current Successor Quarter, Current Predecessor Quarter and Prior Predecessor Quarter was $31.2 million, $22.9 million and $68.9 million, respectively. The decrease is primarily due to the revaluation of SSE s assets associated with the adoption of fresh-start accounting. As a percentage of revenues, depreciation and amortization expense was 39%, 57% and 32% for the Current Successor Quarter, Current Predecessor Quarter and Prior Predecessor Quarter, respectively.

General and Administrative Expenses. General and administrative expenses for the Current Successor Quarter, Current Predecessor Quarter and Prior Predecessor Quarter were $16.6 million, $4.7 million and $26.7 million, respectively. General and administrative expenses for corporate functions settled in cash decreased $3.0 million, or 20%, from $15.5 million in the Prior Predecessor Quarter to $8.4 million and $4.0 million in the Current Successor Quarter and Current Predecessor Quarter primarily due to declines in labor-related costs and consulting fees. As a percentage of revenues, general and administrative expenses settled in cash were 11%, 10% and 7% for the Current Successor Quarter, Current Predecessor Quarter and Prior Predecessor Quarter, respectively.

Additionally, during the Current Successor Quarter, Current Predecessor Quarter and Prior Predecessor Quarter, SSE recognized restructuring charges of $0.3 million, ($0.4) million and $1.4 million related to professional fees incurred prior to the Chapter 11 filing and charges incurred related to the former oilfield trucking segment. SSE incurred non-cash compensation expenses of $7.6 million, $1.0 million and $8.3 million and severance-related costs of $0.3 million, a nominal amount and $1.5 million during the Current Successor Quarter, Current Predecessor Quarter and Prior Predecessor Quarter, respectively.

Below is a breakout of general and administrative expenses incurred in the Current Successor Quarter, Current Predecessor Quarter and Prior Predecessor Quarter.

	Successor	Predecessor	
	Two Months Ended September 30, 2016	One Month Ended July 31, 2016	Three Months Ended September 30, 2015
		(In thousands)	
G&A expenses settled in cash	$ 8,428	$ 4,036	$ 15,504
Restructuring charges	315	(376)	1,355
Non-cash compensation expenses	7,552	1,011	8,333
Severance-related costs	306	17	1,517
Total General and Administrative Expenses	$ 16,601	$ 4,688	$ 26,709

(Gains) Losses on Sales of Property and Equipment, Net. SSE recorded (gains) losses on sales of property and equipment of ($0.8) million, $0.3 million and $1.8 million during the Current Successor Quarter, Current Predecessor Quarter and Prior Predecessor Quarter, respectively. During the Prior Predecessor Quarter, SSE sold certain drilling rig components and spare equipment that it had identified as part of its broader strategy to divest of non-essential assets.

Impairments and Other. During the Prior Predecessor Quarter SSE recognized impairments of $1.6 million on non-strategic real property under contract to be sold.

Interest Expense. Interest expense for the Current Successor Quarter, Current Predecessor Quarter and Prior Predecessor Quarter was $6.2 million, $2.4 million and $25.5 million, respectively, related to borrowings under SSE s senior notes, term loans and credit facility during the Predecessor periods and term loans and credit facility during the Successor period. Subsequent to June 7, 2016, SSE did not record interest expense on the unsecured debt due to the Chapter 11 cases. Contractual interest expense for the Current Predecessor Quarter was $8.4 million.

Gains on Extinguishment of Debt. During the Prior Predecessor Quarter, SSE repurchased and cancelled $10.0 million in aggregate principal amount of the 2022 Notes for $4.9 million. SSE recognized a gain on extinguishment of debt of $5.0 million, which includes accelerated amortization of deferred financing costs of $0.1 million.

Loss from Equity Investee. Loss from equity investee was ($0.2) million for the Prior Predecessor Quarter, which was a result of SSE s 49% membership interest in Maalt Specialized Bulk, L.L.C.

Other Income. Other income was $0.9 million, $0.4 million and $0.9 million for the Current Successor Quarter and Current Predecessor Quarter and Prior Predecessor Quarter, respectively.

Reorganization items, net. Reorganization items for the Current Successor Quarter and Current Predecessor Quarter totaled $0.2 million and $16.5 million, respectively. Below is a breakout of charges for each period (in thousands):

	Successor Two Months Ended September 30, 2016	Predecessor One Month Ended July 31, 2016
Net gain on settlement of liabilities subject to compromise	$	$ (632,059)
Net loss on fresh-start adjustments		596,044
Stock-based compensation acceleration expense		25,086
Professional fees	246	19,823
Write-off of debt issuance costs		774
Fair value of warrants issued to Predecessor stockholders		6,797
Total Reorganization Items, net	$ 246	$ 16,465

Income Tax Benefit. SSE recorded income tax benefit of $28.1 million and $17.5 million for the Current Predecessor Quarter and Prior Predecessor Quarter, respectively. The $10.6 million increase in income tax benefit is primarily the result of tax effects of reorganization adjustments. In the Current Successor Quarter SSE recorded a valuation allowance of $12.9 million, which reduced SSE s income tax benefit to zero in the period.

Table of Contents

Results of Operations Nine Months Ended September 30, 2016 vs. Nine Months Ended September 30, 2015

The following table sets forth financial information by operating segment and other selected information for the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period, which are distinct reporting periods as a result of SSE s emergence from bankruptcy on August 1, 2016.

	Successor	Predecessor			
	(a)	(b)	(c)	(a) + (b) - (c)	
	Two Months Ended September 30, 2016	One Month Ended July 31, 2016	Nine Months Ended September 30, 2015 (In thousands)	Change	% Change
Drilling:					
Revenue	$ 42,969	$ 154,794	$ 346,846	$ (149,083)	(43)%
Operating costs	18,836	57,573	196,675	(120,266)	(61)%
Depreciation and amortization	11,710	87,160	125,936	(27,066)	(21)%
General and administrative	79	539	25,294	(24,676)	(98)%
(Gains) losses on sales of property and equipment, net	(77)	1,211	9,903	(8,769)	(89)%
Impairments and other		3,205	12,417	(9,212)	(74)%
Operating Income (Loss)	$ 12,421	$ 5,106	$ (23,379)	$ 40,906	(175)%
Hydraulic Fracturing:					
Revenue	$ 30,540	$ 160,723	$ 483,565	$ (292,302)	(60)%
Operating costs	38,724	158,569	416,472	(219,179)	(53)%
Depreciation and amortization	14,002	49,124	51,915	11,211	22%
General and administrative	356	233	19,876	(19,287)	(97)%
Losses on sales of property and equipment, net	40	66	171	(65)	(38)%
Operating Loss	$ (22,582)	$ (47,269)	$ (4,869)	$ (64,982)	1,335%
Oilfield Rentals:					
Revenue	$ 6,147	$ 18,402	$ 65,297	$ (40,748)	(62)%
Operating costs	5,688	20,172	57,880	(32,020)	(55)%
Depreciation and amortization	3,966	18,773	31,659	(8,920)	(28)%
General and administrative	27	270	6,576	(6,279)	(95)%
Gains on sales of property and equipment, net	(750)	(425)	(777)	(398)	51%
Impairments and other		287		287	n/m
Operating Loss	$ (2,784)	$ (20,675)	$ (30,041)	$ 6,582	(22)%

Former Oilfield Trucking:					
Revenue	$	$	$ 42,739	$ (42,739)	(100)%
Operating costs			54,674	(54,674)	(100)%
Depreciation and amortization			8,787	(8,787)	(100)%
General and administrative			9,249	(9,249)	(100)%
Losses on sales of property and equipment, net			5,728	(5,728)	(100)%
Impairments and other			2,737	(2,737)	(100)%
Operating Loss	$	$	$ (38,436)	$ 38,436	(100)%
Consolidated:					
Revenue	$ 79,656	$ 333,919	$ 938,456	$ (524,881)	(56)%
Operating costs	63,628	237,014	731,627	(430,985)	(59)%
Depreciation and amortization	31,208	162,425	226,779	(33,146)	(15)%
General and administrative	16,601	66,667	95,436	(12,168)	(13)%
Loss on sale of a business			34,989	(34,989)	(100)%
(Gains) losses on sales of property and equipment, net	(798)	848	15,023	(14,973)	(100)%
Impairments and other		6,116	16,720	(10,604)	(63)%
Operating Loss	(30,983)	(139,151)	(182,118)	11,984	(7)%
Interest expense	(6,185)	(48,116)	(73,964)	19,663	(27)%
Gains on early extinguishment of debt			18,061	(18,061)	(100)%
Income from equity investee			877	(877)	(100)%
Other income	886	2,318	1,889	1,315	70%
Reorganization items, net	(246)	(29,892)		(30,138)	n/m
Loss Before Income Taxes	(36,528)	(214,841)	(235,255)	(16,114)	7%
Income Tax Benefit		(59,131)	(74,455)	15,324	(21)%
Net Loss	$ (36,528)	$ (155,710)	$ (160,800)	$ (31,438)	20%

n/m means not meaningful.

238

Table of Contents

Revenue

Revenues for the Current Successor Quarter and Current Predecessor Period decreased $524.9 million from the Prior Predecessor Period primarily due to decreased utilization and increased pricing pressure. The percentage of SSE s revenues derived from CHK was 53%, 65% and 70% for the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period, respectively. Included in total revenue are amounts related to IBC payments of $16.5 million, $80.7 million and $49.6 million for the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period, respectively. Excluding the IBC revenues, the Company has diversified its customer base and increased non-CHK revenue from 31% in the Prior Predecessor Period to 58% and 42% in the Current Successor Quarter and Current Predecessor Period, respectively.

Drilling revenues for the Current Successor Quarter and Current Predecessor Period decreased $149.1 million, or 43%, from the Prior Predecessor Period, which was primarily due to a 60% decline in revenue days as the average active rig count dropped from 46 in the Prior Predecessor Period to 18 in the Current Successor Quarter and Current Predecessor Period. Average revenue per revenue day for the Current Successor Quarter and Current Predecessor Period decreased 14% from the Prior Predecessor Period. Revenues from non-CHK customers were 41% and 38% of total segment revenues in the Current Successor Quarter and Current Predecessor Period, respectively, compared to 40% for the Prior Predecessor Period. Included in total revenue are amounts related to IBC payments of $16.5 million, $80.7 million and $49.6 million for the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period, respectively. Excluding the IBC revenues, the Company has diversified its customer base and increased non-CHK revenue from 44% in the Prior Predecessor Period to 64% and 67% in the Current Successor Quarter and Current Predecessor Period, respectively.

Hydraulic fracturing revenues for the Current Successor Quarter and Current Predecessor Period decreased $292.3 million, or 60%, from the Prior Predecessor Period, which was primarily due to a 42% decrease in stages completed in addition to a 31% decrease in revenue per stage due to pricing pressure. Revenues from non-CHK customers increased to 52% and 28% of total segment revenues in the Current Successor Quarter and Current Predecessor Period, respectively, compared to 17% for the Prior Predecessor Period.

Oilfield rental revenues for the Current Successor Quarter and Current Predecessor Period decreased $40.7 million, or 62%, from the Prior Predecessor Period, which was primarily due to a decline in utilization by CHK and pricing pressure. Revenues from non-CHK customers increased to 62% and 60% of total segment revenues in the Current Successor Quarter and Current Predecessor Period, respectively, compared to 56% for the Prior Predecessor Period.

Operating Costs

As a percentage of revenues, operating costs were 80% and 71% for the Current Successor Quarter and Current Predecessor Period, respectively, compared to 78% for the Prior Predecessor Period. Operating costs decreased $431.0 million in the Current Successor Quarter and Current Predecessor Period compared to the Prior Predecessor Period. The decrease was primarily due to a decrease in labor-related costs, a decline in utilization in each of SSE s segments and a decrease in product costs in SSE s hydraulic fracturing segment.

As a percentage of drilling revenues, drilling operating costs were 44%, 37% and 57% for the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period, respectively. The decrease was primarily due to a higher proportion of IBC rigs, which generate revenue with little associated cost. Drilling operating costs for the Current Successor Quarter and Current Predecessor Period decreased $120.3 million, or 61%, from the Prior Predecessor Period primarily due to a decrease in labor-related costs and lower fleet utilization. Drilling restructuring and reorganization charges were $0.1 million and $514.9 million for the Current Successor Quarter and Current

Predecessor Period, respectively.

As a percentage of hydraulic fracturing revenues, hydraulic fracturing operating costs were 127%, 99% and 86% for the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period, respectively.

Table of Contents

The increase was due to increased pricing pressure. Hydraulic fracturing operating costs for the Current Successor Quarter and Current Predecessor Period decreased $219.2 million, or 53%, from the Prior Predecessor Period, which was primarily due to a 52% decrease in product costs. Hydraulic fracturing restructuring and reorganization charges were $0.1 million and $45.2 million in the Current Successor Quarter and Current Predecessor Period, respectively.

As a percentage of oilfield rental revenues, oilfield rental operating costs were 93%, 110% and 89% for the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period, respectively. The increase was due to significant declines in fleet utilization and increased pricing pressure. Oilfield rental operating costs for the Current Successor Quarter and Current Predecessor Period decreased $32.0 million, or 55%, from the Prior Predecessor Period, which was primarily due to lower utilization and a decrease in labor-related costs. Oilfield rental restructuring and reorganization charges were a nominal amount and $19.1 million in the Current Successor Quarter and Current Predecessor Period, respectively.

During the Prior Predecessor Period, SSE sold its drilling rig relocation and logistics business and water hauling assets. As of June 30, 2015, there were no remaining assets or operations in the oilfield trucking segment.

Other Financial Statement Items

Depreciation and Amortization. Depreciation and amortization for the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period was $31.2 million, $162.4 million and $226.8 million, respectively. The decrease is primarily due to the revaluation of SSE s assets associated with the adoption of fresh-start accounting. In addition, SSE also had a change in accounting estimate for estimated useful lives of certain components of drilling rigs and certain drilling rigs in the Prior Predecessor Period. As a percentage of revenues, depreciation and amortization expense was 39%, 49% and 24% for the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period, respectively.

General and Administrative Expenses. General and administrative expenses for the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period were $16.6 million, $66.7 million and $95.4 million, respectively. General and administrative expenses for corporate functions settled in cash decreased $24.9 million, or 40%, from $61.6 million in the Prior Predecessor Period to $8.4 million and $28.3 million in the Current Successor Quarter and Current Predecessor Period, respectively, primarily due to declines in labor-related costs and consulting fees. As a percentage of revenues, general and administrative expenses settled in cash were 11%, 8% and 7% for the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period, respectively.

Additionally, during the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period, SSE recognized restructuring charges of $0.3 million, $28.1 million and $1.4 million, respectively, primarily related to professional fees incurred prior to the Chapter 11 filing and charges incurred related to the former oilfield trucking segment. SSE incurred non-cash compensation expenses of $7.6 million, $9.7 million and $26.5 million and severance-related costs of $0.3 million, $0.6 million and $6.0 million during the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period, respectively. Included in the non-cash compensation expenses and severance-related costs for the Prior Predecessor Period are $2.1 million and $0.6 million, respectively, related to the sale of Hodges.

Table of Contents

Below is a breakout of general and administrative expenses incurred in the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period.

	Successor	Predecessor	
	Two Months Ended September 30, 2016	Seven Months Ended July 31, 2016	Nine Months Ended September 30, 2015
	(In thousands)		
G&A expenses settled in cash	$ 8,428	$ 28,310	$ 61,606
Restructuring charges	315	28,054	1,355
Non-cash compensation expenses	7,552	9,660	26,452
Severance-related costs	306	643	6,023
Total General and Administrative Expenses	$ 16,601	$ 66,667	$ 95,436

Loss on Sale of a Business. On June 14, 2015, SSE sold Hodges, previously SSE s wholly-owned subsidiary that provided drilling rig relocation and logistics services, for aggregate consideration of $42.0 million. SSE recognized a loss of $35.0 million on the sale during the Prior Predecessor Period.

(Gains) Losses on Sales of Property and Equipment, Net. SSE recorded (gains) losses on sales of property and equipment of ($0.8) million, $0.8 million and $15.0 million during the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period, respectively. During the Prior Predecessor Period, SSE sold SSE s water hauling assets.

Impairments and Other. During the Current Predecessor Period and Prior Predecessor Period SSE recognized impairments of $6.1 million and $16.7 million, respectively. During the Current Predecessor Period and Prior Predecessor Period, SSE recognized impairment charges of $0.3 million and $3.3 million, respectively, for certain drilling rigs that it impaired based on future cash flow of these rigs. Additionally, during the Current Predecessor Period and Prior Predecessor Period SSE recognized impairment charges of $2.9 million and $8.7 million, respectively, for drilling-related services equipment that it deemed to be impaired based on the expected future cash flows of this equipment. SSE recognized impairment charges of $2.7 million during the Prior Predecessor Period for certain trucking and fluid disposal equipment that it deemed to be impaired based on expected future cash flows of this equipment.

SSE identified certain other property and equipment during the Current Predecessor Period and Prior Predecessor Period that it deemed to be impaired based on SSE s assessment of the market value and expected future cash flows of the long-lived asset. SSE recorded impairment charges of $2.9 million and $2.0 million during the Current Predecessor Period and Prior Predecessor Period, respectively, related to these assets.

Interest Expense. Interest expense for the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period was $6.2 million, $48.1 million and $74.0 million, respectively, related to borrowings under SSE s senior notes, term loans and credit facility during the Predecessor periods and term loans and credit facility during the Successor period. Subsequent to June 7, 2016, SSE did not recorded interest expense on the unsecured debt due to the Chapter 11 cases. Contractual interest expense for the Current Predecessor Period was $59.0 million.

Gains on Extinguishment of Debt. During the Prior Predecessor Period, SSE repurchased and cancelled $50.0 million in aggregate principal amount of the 2022 Notes in multiple transactions for $31.3 million. SSE recognized gains on extinguishment of debt of $18.1 million, which included accelerated amortization of deferred financing costs of $0.6 million.

Income from Equity Investee. Income from equity investee was $0.9 million for the Prior Predecessor Period, respectively, which was a result of SSE s 49% of the membership interest in Maalt.

Table of Contents

Other Income. Other income was $0.9 million, $2.3 million and $1.9 million for the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period, respectively.

Reorganization items, net. Reorganization items for the Current Successor Quarter and Current Predecessor Period totaled $0.2 million and $29.9 million, respectively. Below is a breakout of charges for each period (in thousands):

	Successor Two Months Ended September 30, 2016	Predecessor Seven Months Ended July 31, 2016
Net gain on settlement of liabilities subject to compromise	$	$ (632,059)
Net loss on fresh-start adjustments		596,044
Stock-based compensation acceleration expense		25,086
Professional fees	246	20,228
Write-off of debt issuance costs		13,318
Fair value of warrants issued to Predecessor stockholders		6,797
DIP credit agreement financing costs		478
Total Reorganization Items, net	$ 246	$ 29,892

Income Tax Benefit. SSE recorded income tax benefit of $59.1 million and $74.5 million for the Current Predecessor Period and Prior Predecessor Period, respectively. The $15.3 million decrease in income tax benefit is primarily the result of an increase in the valuation allowance, partially offset by the tax effect of reorganization adjustments. SSE recorded a valuation allowance of $31.3 million as of July 31, 2016, which reduced SSE s income tax benefit in the Current Predecessor Period. In the Current Successor Quarter SSE recorded a valuation allowance of $12.9 million, which reduced its income tax benefit to zero in the period.

Off-Balance Sheet Arrangements

Operating Leases

As of September 30, 2016, SSE was a party to five lease agreements with various third parties to utilize 724 lease rail cars for initial terms of five to seven years. Additional rental payments are required for the use of rail cars in excess of the allowable mileage stated in the respective agreement. SSE accounts for these leases as operating leases.

As of September 30, 2016, SSE was also a party to various lease agreements for other property and equipment with varying terms. SSE accounts for these leases as operating leases.

Aggregate undiscounted minimum future lease payments as of September 30, 2016 under SSE s operating leases are presented below:

	Rail Cars	Other	Total

	(In thousands)		
Remainder of 2016	$ 1,006	$ 206	$ 1,212
2017	3,290	373	3,663
2018	2,165	240	2,405
2019	1,331	30	1,361
2020	490		490
Total	$ 8,282	$ 849	$ 9,131

Other Commitments

Much of the equipment SSE purchases requires long production lead times. As a result, SSE usually has outstanding orders and commitments for such equipment. As of September 30, 2016, SSE had $2.6 million of purchase commitments related to future capital expenditures that it expects to incur in the fourth quarter of 2016.

New Accounting Pronouncements

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which amends eight specific cash flow issues with the objective of reducing diversity in practice. This ASU is effective for annual reporting periods beginning after December 15, 2017 with early adoption permitted. We are currently evaluating what impact this standard will have on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation Stock Compensation, which modifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016 with early adoption permitted. We are currently evaluating what impact this standard will have on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases, which modifies the lease recognition requirements and requires entities to recognize the assets and liabilities arising from leases on the balance sheet. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018 with early adoption permitted. We are currently evaluating what impact this standard will have on our consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments Overall, which requires separate presentation of financial assets and liabilities on the balance sheet and requires evaluation of the need for valuation allowance of deferred tax assets related to available-for-sale securities. ASU 2016-01 is effective for annual reporting periods beginning after December 15, 2017 with early adoption not permitted. We are currently evaluating what impact this standard will have on our consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory, which changes inventory measured using any method other than LIFO or the retail inventory method (for example, inventory measured using first-in, first-out (FIFO) or average cost) at the lower of cost and net realizable value. ASU 2015-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, with early adoption permitted. We do not expect the adoption of this guidance will have a material effect on our consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements Going Concern, which requires management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity s ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). ASU 2014-15 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, with early application permitted. We are currently evaluating what impact this standard will have on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which supersedes the revenue recognition requirements in Revenue Recognition (Topic 605) and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. In

Table of Contents

August 2015, the FASB deferred the effective date of ASU No. 2014-09 to annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period; the FASB also provided for early adoption for annual reporting periods beginning after December 15, 2016. We are currently evaluating what impact this standard, including related ASU Nos. 2016-08, 2016-10, and 2016-12, will have on our consolidated financial statements.

Quantitative and Qualitative Disclosures About Market Risk

Historically, we have provided substantially all of our oilfield services to CHK and its working interest partners. CHK accounted for approximately 53%, 65% and 70% of our revenues during the Current Successor Quarter, Current Predecessor Period and Prior Predecessor Period, respectively. The decline in commodity prices since mid-2014 has had an adverse effect on CHK s and our other customers capital spending, which has adversely impacted our cash flows and financial position. The current down cycle has begun to show signs of improvement, however, any long-term recovery is uncertain. If we do not see long-term recovery, it could have a further adverse effect on our customers capital spending. This would likely have a material adverse impact on our cash flows and financial position and could adversely affect our ability to comply with the financial covenant under our credit facility and limit our ability to fund our planned capital expenditures.

Changes in interest rates affect the amount of interest we earn on our cash, cash equivalents and short-term investments and the interest rate we pay on borrowings under our credit facility and term loans. We have borrowings outstanding under our term loans and may in the future borrow under fixed rate and variable rate debt instruments that give rise to interest rate risk. For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows. Conversely, for variable rate debt, changes in interest rates generally do not impact the fair value of the debt instrument, but may affect our future earnings and cash flows. Our primary exposure to interest rate risk results from outstanding borrowings under our credit facility and term loans.

The following table provides information about our debt instruments that are sensitive to changes in interest rates. The table presents principal cash flows and related weighted-average interest rates by expected maturity dates. Weighted-average variable rates are based on effective rates at September 30, 2016.

Expected Maturity Date	Floating Rate Maturity (in thousands)	Average Interest Rate
2016	$ 1,250	5.000%
2017	5,000	5.000%
2018	5,000	5.000%
2019	5,000	5.000%
2020	5,000	5.000%
After 2020	453,250	5.008%
Total	$ 474,500	
Fair value	$ 426,142	

Our fuel costs, which consist primarily of diesel fuel used by our various trucks and other equipment, can expose us to commodity price risk and our hydraulic fracturing operations expose us to risks associated with the prices of materials used in hydraulic fracturing, such as sand and chemicals. The prices for fuel and these materials can be volatile and are impacted by changes in supply and demand, as well as market uncertainty and regional shortages. We currently do not hedge our exposure to these risks.

Table of Contents

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information as to the SSE common stock beneficially owned, as of , 2017, the record date for the SSE special meeting, by (i) each person who is known to SSE to beneficially own more than 5% of the outstanding shares of SSE voting common stock, (ii) each director of SSE, (iii) certain executive officers of SSE and (iv) all directors and executive officers of SSE as a group.

Name	Beneficial Ownership of Common Stock	Percent of Outstanding Shares of Common Stock
Stockholders		
Axar Master Fund Ltd		
Star V Partners LLC		
c/o Axar Capital Management LP 1330 Avenue of Americas, 6th Floor New York, NY 10019	3,579,743(1)	
Blue Mountain Credit Alternatives Master Fund L.P.		
BlueMountain Timberline Ltd.		
BlueMountain Montenvers Master Fund SCA SICAV-SIF		
BlueMountain Logan Opportunities Master Fund L.P.		
BlueMountain Guadalupe Peak Fund L.P.		
BlueMountain Foinaven Master Fund L.P.		
BlueMountain Kicking Horse Fund L.P.		
BlueMountain Summit Trading L.P		
c/o BlueMountain Capital Management, LLC 280 Park Avenue, 12th Floor New York, NY 10017	8,035,668(2)	
Mudrick Distressed Opportunity Fund Global L.P.		
Blackwell Partners LLC Series A		
Boston Patriot Batterymarch St LLC		
Mudrick Distressed Opportunity Specialty Fund, L.P.		
Mudrick Distressed Energy Co-Investment Fund, L.P.		
Mudrick Distressed Opportunity Drawdown Fund, L.P.		
c/o Mudrick Capital Management, L.P. 527 Madison Avenue, 6th Floor New York, NY 10022	1,972,888(3)	
Directors and Executive Officers		
Jerry L. Winchester		
Victor Danh		

Andrew Axelrod
Douglas J. Wall
David King
Edward J. DiPaolo
Steven Hinchman
Cary Baetz
Karl Blanchard
James Minmier
All Directors and Executive Officers as a Group

(1) This information is as of December 12, 2016, solely as disclosed in the Voting and Support Agreement entered into between Patterson-UTI Energy, Inc. and Axar Master Fund Ltd and Star V Partners LLC included as Exhibit 99.2 to the Current Report on Form 8-K filed with the SEC by SSE on December 13, 2016.

(2) This information is as of December 12, 2016, solely as disclosed in the Voting and Support Agreement entered into between Patterson-UTI Energy, Inc. and Blue Mountain Credit Alternatives Master Fund L.P., BlueMountain Timberline Ltd., BlueMountain Montenvers Master Fund SCA SICAV-SIF, BlueMountain Logan Opportunities Master Fund L.P., BlueMountain Guadalupe Peak Fund L.P., BlueMountain Foinaven Master Fund L.P., BlueMountain Kicking Horse Fund L.P. and BlueMountain Summit Trading L.P included as Exhibit 99.3 to the Current Report on Form 8-K filed with the SEC by SSE on December 13, 2016.

(3) This information is as of December 12, 2016, solely as disclosed in the Voting and Support Agreement entered into between Patterson-UTI Energy, Inc. and Mudrick Distressed Opportunity Fund Global L.P., Blackwell Partners LLC Series A, Boston Patriot Batterymarch St LLC, Mudrick Distressed Opportunity Specialty Fund, L.P., Mudrick Distressed Energy Co-Investment Fund, L.P., and Mudrick Distressed Opportunity Drawdown Fund, L.P. included as Exhibit 99.4 to the Current Report on Form 8-K filed with the SEC by SSE on December 13, 2016.

Table of Contents

LEGAL MATTERS

The validity of the shares of Patterson-UTI common stock to be issued pursuant to the merger will be passed upon by Vinson & Elkins LLP. Certain U.S. federal income tax consequences relating to the merger will be passed upon for Patterson-UTI by Vinson & Elkins LLP and for SSE by Wachtell, Lipton, Rosen & Katz.

EXPERTS

Patterson-UTI

The consolidated financial statements and management s assessment of the effectiveness of internal control over financial reporting (which is included in Management s Report on Internal Control over Financial Reporting) incorporated in this registration statement by reference to Patterson-UTI s Annual Report on Form 10-K for the year ended December 31, 2015 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

SSE

The consolidated financial statements of SSE as of December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 included in this registration statement have been so included in reliance on the report (which contains an explanatory paragraph regarding SSE actively exploring and evaluating strategic alternatives to reduce the level of SSE s long-term debt and lower its future cash interest obligations) of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

Table of Contents

FUTURE STOCKHOLDER PROPOSALS

Patterson-UTI

Patterson-UTI has already held its annual meeting of stockholders for 2016. Patterson-UTI expects to hold a regular annual meeting in 2017, regardless of whether the merger is completed.

Rule 14a-8. For inclusion in the proxy statement and form of proxy relating to the Patterson-UTI 2017 annual meeting, stockholder proposals submitted pursuant to Rule 14a-8 under the Exchange Act must have been received by Patterson-UTI s Secretary not later than December 16, 2016 and must otherwise comply with the requirements of Rule 14a-8.

Patterson-UTI Bylaw Procedures for Submitting Proposals and Director Nominations. In addition to the procedures of Rule 14a-8, stockholders may also propose business for Patterson-UTI s annual meeting (including nominations for the Patterson-UTI board of directors) by following the procedures outlined in Patterson-UTI s bylaws. Pursuant to Patterson-UTI s bylaws, a stockholder must deliver notice, mailed to and received at the principal executive offices of Patterson-UTI, not less than 90 calendar days nor more than 120 calendar days before the anniversary date of the preceding year s annual meeting. However, if the date of the annual meeting is advanced by more than 30 calendar days, or delayed by more than 30 calendar days, from such anniversary date, a stockholder s notice must be so delivered not later than the close of business on the ten days following the day on which such notice of the date of the meeting was mailed or public disclosure of the annual meeting date was made, whichever comes first. In accordance with these provisions, stockholders must deliver notice to Patterson-UTI no earlier than February 2, 2017 and no later than March 4, 2017 for their proposals or nominations to be considered at the Patterson-UTI 2017 annual meeting.

SSE

SSE did not hold an annual meeting of stockholders for 2016. It is not expected that SSE will hold an annual meeting for 2017, unless the merger is not completed.

Table of Contents

OTHER MATTERS PRESENTED AT THE MEETINGS

As of the date of this joint proxy statement/prospectus, neither the Patterson-UTI board of directors nor the SSE board of directors knows of any matters that will be presented for consideration at either the Patterson-UTI special meeting or the SSE special meeting, respectively, other than as described in this joint proxy statement/prospectus. If any other matters come before either the Patterson-UTI special meeting or the Patterson-UTI special meeting and shall be voted upon, the proposed proxy will be deemed to confer authority to the individuals named as authorized therein to vote the shares represented by the proxy as to any matters that fall within the purposes set forth in the notice of special meeting. It is intended that the persons named in the enclosed proxy and acting thereunder will vote in accordance with their best judgment on such matters.

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

Patterson-UTI and SSE each file annual, quarterly and current reports, proxy statements and other information with the SEC under the Exchange Act. You may read and copy any of this information at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. The SEC also maintains an internet website that contains reports, proxy and information statements, and other information regarding issuers, including Patterson-UTI and SSE, who file electronically with the SEC. The address of that site is *www.sec.gov*.

Investors may also consult Patterson-UTI s or SSE s website for more information about Patterson-UTI or SSE, as applicable. Patterson-UTI s website is *www.patenergy.com*. SSE s website is *www.77nrg.com*. Information included on these web sites is not incorporated by reference into this joint proxy statement/prospectus.

Patterson-UTI has filed with the SEC a registration statement of which this joint proxy statement/prospectus forms a part. The registration statement registers the issuance of the shares of Patterson-UTI common stock to be issued to SSE stockholders pursuant to the merger. The registration statement, including the attached exhibits, contains additional relevant information about Patterson-UTI and the Patterson-UTI common stock. The rules and regulations of the SEC allow Patterson-UTI and SSE to omit certain information included in the registration statement from this joint proxy statement/prospectus.

In addition, the SEC allows Patterson-UTI and SSE to disclose important information to you by referring you to other documents filed separately with the SEC. This information is considered to be a part of this joint proxy statement/prospectus.

This joint proxy statement/prospectus incorporates by reference the documents listed below that Patterson-UTI has previously filed with the SEC (other than information furnished pursuant to Item 2.01 or Item 7.01 of a Current Report on Form 8-K). These documents contain important information about Patterson-UTI, its financial condition or other matters.

Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Proxy Statement on Schedule 14A filed April 15, 2016.

Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2016, June 30, 2016 and September 30, 2016.

Current Reports on Form 8-K, filed June 2, 2016, July 12, 2016, December 13, 2016, January 5, 2017 and January 17, 2017.

The description of Patterson-UTI common stock contained in Patterson-UTI s registration statement on Form S-4 filed with the SEC on July 24, 2003, including any subsequently filed amendments and reports filed for the purpose of updating such description.

In addition, Patterson-UTI incorporates by reference any future filings it makes with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this joint proxy statement/prospectus and prior to the date of the Patterson-UTI special meeting (other than information furnished pursuant to Item 2.02 or Item 7.01 of any Current Report on Form 8-K, unless expressly stated otherwise therein). Such documents are considered to be a part of this joint proxy statement/prospectus, effective as of the date such documents are filed.

Table of Contents

You can obtain any of these documents from the SEC through the SEC s website at the address described above, or Patterson-UTI will provide you with copies of these documents, without charge, upon written or oral request to:

Patterson-UTI Energy, Inc.

10713 West Sam Houston Parkway North, Suite 800

Houston, Texas 77064

(281) 765-7100

Attn: Investor Relations

251

Table of Contents

INDEX TO SEVENTY SEVEN ENERGY INC. FINANCIAL INFORMATION

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Seventy Seven Energy Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of changes in equity and of cash flows present fairly, in all material respects, the financial position of Seventy Seven Energy Inc. and its subsidiaries (the Company) as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the Company is actively exploring and evaluating strategic alternatives to reduce the level of the Company s long-term debt and lower its future cash interest obligations.

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it presents deferred financing costs in 2015.

/s/ PricewaterhouseCoopers LLP

Oklahoma City, Oklahoma

February 17, 2016

Table of Contents

SEVENTY SEVEN ENERGY INC.

Consolidated Balance Sheets

	December 31, 2015	December 31, 2014
	(in thousands)	
Assets:		
Current Assets:		
Cash	$ 130,648	$ 891
Accounts receivable, net of allowance of $3,680 and $3,311 at December 31, 2015 and December 31, 2014, respectively	164,721	421,555
Inventory	18,553	25,073
Deferred income tax asset	1,499	7,463
Prepaid expenses and other	17,141	19,072
Total Current Assets	332,562	474,054
Property and Equipment:		
Property and equipment, at cost	2,646,446	2,749,886
Less: accumulated depreciation	(1,116,026)	(982,833)
Total Property and Equipment, Net	1,530,420	1,767,053
Other Assets:		
Equity method investment		7,816
Goodwill		27,434
Intangible assets, net		5,420
Deferred financing costs	1,238	1,592
Other long-term assets	38,398	6,924
Total Other Assets	39,636	49,186
Total Assets	$ 1,902,618	$ 2,290,293
Liabilities and Equity:		
Current Liabilities:		
Accounts payable	$ 53,767	$ 45,657
Current portion of long-term debt	5,000	4,000
Other current liabilities	98,318	215,752
Total Current Liabilities	157,085	265,409
Long-Term Liabilities:		
Deferred income tax liabilities	60,623	159,273
Long-term debt, less current maturities	1,564,592	1,572,241

Other long-term liabilities	1,478	2,347
Total Long-Term Liabilities	1,626,693	1,733,861
Commitments and Contingencies (Note 8)		
Common stock. $0.01 par value: authorized 250,000,000 shares; issued and outstanding 59,397,831 and 51,158,968 shares at December 31, 2015 and 2014, respectively	594	512
Paid-in capital	350,770	301,644
Accumulated deficit	(232,524)	(11,133)
Total Equity	118,840	291,023
Total Liabilities and Equity	$ 1,902,618	$ 2,290,293

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

Table of Contents

SEVENTY SEVEN ENERGY INC.

Consolidated Statements of Operations

	Years Ended December 31, 2015	2014	2013
	(in thousands)		
Revenues:			
Revenues	$ 1,131,244	$ 2,080,892	$ 2,188,205
Operating Expenses:			
Operating costs	855,870	1,580,353	1,717,709
Depreciation and amortization	295,421	292,912	289,591
General and administrative	112,141	108,139	80,354
Loss on sale of a business	35,027		
Losses (gains) on sales of property and equipment, net	14,656	(6,272)	(2,629)
Impairment of goodwill	27,434		
Impairments and other	18,632	30,764	74,762
Total Operating Expenses	1,359,181	2,005,896	2,159,787
Operating (Loss) Income	(227,937)	74,996	28,418
Other (Expense) Income:			
Interest expense	(99,267)	(79,734)	(56,786)
Gains on early extinguishment of debt	18,061		
Loss and impairment from equity investees	(7,928)	(6,094)	(958)
Other income	3,052	664	1,758
Total Other Expense	(86,082)	(85,164)	(55,986)
Loss Before Income Taxes	(314,019)	(10,168)	(27,568)
Income Tax Benefit	(92,628)	(2,189)	(7,833)
Net Loss	$ (221,391)	$ (7,979)	$ (19,735)
Loss Per Common Share (Note 3)			
Basic	$ (4.42)	$ (0.17)	$ (0.42)
Diluted	$ (4.42)	$ (0.17)	$ (0.42)
Weighted Average Common Shares Outstanding			
Basic	50,096	47,236	46,932
Diluted	50,096	47,236	46,932

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

Table of Contents

SEVENTY SEVEN ENERGY INC.

Consolidated Statements of Changes in Equity

	Common Stock (Shares)	Common Stock	Paid-in Capital	Owner s Equity (in thousands)	Accumulated Deficit	Total Stockholders / Owner s Equity
Balance at December 31, 2012		$	$	$ 596,817	$	$ 596,817
Net loss				(19,735)		(19,735)
Distributions to Chesapeake, net				(29,890)		(29,890)
Balance at December 31, 2013		$	$	$ 547,192	$	$ 547,192
Net income (loss)				3,154	(11,133)	(7,979)
Contributions from Chesapeake				190,297		190,297
Distributions to Chesapeake				(482,001)		(482,001)
Reclassification of owner s equity to paid-in capital			258,642	(258,642)		
Issuance of common stock at spin-off	46,932	469	(469)			
Share-based compensation	4,227	43	43,471			43,514
Balance at December 31, 2014	51,159	$ 512	$ 301,644	$	$ (11,133)	$ 291,023
Net loss					(221,391)	(221,391)
Share-based compensation	8,239	82	49,126			49,208
Balance at December 31, 2015	59,398	$ 594	$ 350,770	$	$ (232,524)	$ 118,840

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

Table of Contents

SEVENTY SEVEN ENERGY INC.

Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
NET LOSS	$ (221,391)	$ (7,979)	$ (19,735)
ADJUSTMENTS TO RECONCILE NET LOSS TO CASH PROVIDED BY OPERATING ACTIVITIES:			
Depreciation and amortization	295,421	292,912	289,591
Amortization of sale/leaseback gains		(5,414)	(15,995)
Amortization of deferred financing costs	4,623	6,122	2,928
Gains on early extinguishment of debt	(18,061)		
Loss on sale of a business	35,027		
Losses (gains) on sales of property and equipment	14,656	(6,272)	(2,629)
Impairment of goodwill	27,434		
Impairments of long-lived assets	18,632	21,063	52,400
Loss and impairment from equity investees	7,928	6,094	958
Provision for doubtful accounts	1,375	2,887	436
Non-cash compensation	48,509	47,184	
Deferred income tax benefit	(92,686)	(2,863)	(9,255)
Other	(717)	150	1,641
Changes in operating assets and liabilities,			
Accounts receivable	236,977	(81,001)	(12,385)
Inventory	7,099	(6,543)	7,193
Accounts payable	9,109	(11,954)	4,464
Other current liabilities	(89,650)	9,949	38,324
Other	(179)	961	(865)
Net cash provided by operating activities	284,106	265,296	337,071
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property and equipment	(205,706)	(457,618)	(349,806)
Proceeds from sales of assets	27,695	88,556	50,602
Proceeds from sale of a business	15,000		
Proceeds from sale of investment			2,790
Additions to investments	(113)	(675)	(431)
Other	3,457	2,091	28
Net cash used in investing activities	(159,667)	(367,646)	(296,817)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings from revolving credit facility	160,100	1,201,400	1,216,900
Payments on revolving credit facility	(210,600)	(1,555,900)	(1,230,100)

Proceeds from issuance of senior notes, net of offering costs		493,825	
Payments to extinguish senior notes	(31,305)		
Proceeds from issuance of term loan, net of issuance costs	94,481	393,879	
Payments on term loans	(4,750)	(2,000)	
Deferred financing costs	(784)	(3,597)	
Distributions to CHK		(422,839)	(29,890)
Other	(1,824)	(3,205)	3,287
Net cash provided by (used in) financing activities	5,318	101,563	(39,803)
Net increase (decrease) in cash	129,757	(787)	451
Cash, beginning of period	891	1,678	1,227
Cash, end of period	$ 130,648	$ 891	$ 1,678
SUPPLEMENTAL DISCLOSURE OF SIGNIFICANT NON-CASH INVESTING AND FINANCING ACTIVITIES:			
(Decrease) increase in other current liabilities related to purchases of property and equipment	$ (20,016)	$ 18,999	$ (54,457)
Note receivable received as consideration for sale of a business	$ 27,000	$	$
Property and equipment distributed to Chesapeake at spin-off	$	$ (792)	$
Property and equipment contributed from Chesapeake at spin-off	$	$ 190,297	$
SUPPLEMENTAL DISCLOSURE OF CASH PAYMENTS:			
Interest, net of amount capitalized	$ 96,730	$ 54,439	$ 55,250

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

Table of Contents

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Spin-off and Basis of Presentation

Spin-Off

On June 9, 2014, Chesapeake Energy Corporation (CHK) announced that its board of directors approved the spin-off of its oilfield services division through the pro rata distribution of 100% of the shares of common stock of Seventy Seven Energy Inc. (SSE, we, us, our, Company, or ours) to CHK s shareholders of record as of the close of b June 19, 2014, the record date. On June 30, 2014, each CHK shareholder received one share of SSE common stock for every fourteen shares of CHK common stock held by such shareholder on the record date, and SSE became an independent, publicly traded company as a result of the distribution. The transactions in which SSE became an independent, publicly traded company, including the distribution, are referred to collectively as the spin-off . Prior to the spin-off, we conducted our business as CHK Oilfield Operating, L.L.C. (COO), a wholly owned subsidiary of CHK. Following the spin-off, CHK retained no ownership interest in SSE, and each company has separate public ownership, boards of directors and management. A registration statement on Form 10, as amended through the time of its effectiveness, describing the spin-off was filed by SSE with the U.S. Securities and Exchange Commission (SEC) and was declared effective on June 17, 2014. On July 1, 2014, SSE stock began trading the regular-way on the New York Stock Exchange under the ticker symbol of SSE . See Note 14 for further discussion of agreements entered into as part of the spin-off, including a master separation agreement, a transition services agreement, an employee matters agreement and a tax sharing agreement, among others. As part of the spin-off, we completed the following transactions, among others, which we refer to as the Transactions :

- we entered into a new $275.0 million senior secured revolving credit facility (the credit facility) and a $400.0 million secured term loan (the Term Loan). We used the proceeds from borrowings under these new facilities to repay in full and terminate our $500.0 million senior secured revolving credit facility (the Old Credit Facility).

- we issued new 6.50% senior unsecured notes due 2022 (the 2022 Notes) and used the net proceeds of approximately $493.8 million to make a cash distribution of approximately $391.0 million to CHK, to repay a portion of outstanding indebtedness under the credit facility and for general corporate purposes.

- we distributed our compression unit manufacturing and geosteering businesses to CHK.

- we sold our crude hauling assets to a third party and used a portion of the net proceeds received to make a $30.9 million cash distribution to CHK.

- CHK transferred to us buildings and real estate used in our business, including property and equipment, at cost of approximately $212.5 million and accumulated depreciation of $22.2 million as of the date of the spin-off.

COO transferred all of its existing assets, operations and liabilities, including our 6.625% senior unsecured notes due 2019 (the 2019 Notes), to Seventy Seven Operating LLC (SSO). SSO is an Oklahoma limited liability company, our direct wholly-owned subsidiary and, after giving effect to the Transactions, the owner of all our operating subsidiaries.

COO was renamed SSE and converted from a limited liability company to a corporation.

Basis of Presentation

The accompanying consolidated financial statements and related notes include the accounts of SSE and its subsidiaries, all of which are 100% owned. SSE s accounting and financial reporting policies conform to accounting principles and practices generally accepted in the United States of America (GAAP). All significant intercompany accounts and transactions within SSE have been eliminated.

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Seventy Seven Finance Inc. (SSF) is a 100% owned finance subsidiary of SSE that was incorporated for the purpose of facilitating the offering of SSE s 2019 Notes (see Note 6). SSF does not have any operations or revenues.

2. Significant Accounting Policies

Accounting Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting periods. Although management believes these estimates are reasonable, actual results could differ from those estimates. Areas where critical accounting estimates are made by management include:

- estimated useful lives of assets, which impacts depreciation and amortization of property and equipment;
- impairment of long-lived assets, goodwill and intangibles;
- income taxes;
- accruals related to revenue, expenses, capital costs and contingencies; and
- cost allocations as described in Note 14.

Risks and Uncertainties

We operate in a highly cyclical industry. The main factor influencing demand for oilfield services is the level of drilling and completions activity by E&P companies, which in turn depends largely on current and anticipated future crude oil and natural gas prices and production depletion rates. Demand for oil and natural gas is cyclical and is subject to large and rapid fluctuations. When oil and natural gas price increases occur, producers increase their capital expenditures, which generally results in greater revenues and profits for oilfield service companies. The increased capital expenditures also ultimately result in greater production, which historically has resulted in increased supplies and reduced prices that, in turn, tends to reduce demand for oilfield services. For these reasons, our results of operations may fluctuate from quarter-to-quarter and from year-to-year.

The sustained decline in commodity prices since mid-2014 has dramatically reduced the level of onshore United States drilling and completions activity and, consequently, the demand for our services. As of December 31, 2015, NYMEX WTI oil spot prices had declined to their lowest levels since 2003 and NYMEX natural gas spot prices had fallen from multi-year highs reached in early 2014. The extent and length of the current down cycle continues to be uncertain and is dependent on a number of economic, geopolitical and monetary policy factors that are outside our control. Until there is a sustained recovery in commodity prices, we expect that reduced equipment utilization levels and pricing pressure across each of our operating segments will persist. If drilling and completions activity remains at depressed levels or worsens, it would likely have a material adverse impact on our business, financial condition, cash flows and results of operations.

We have retained restructuring advisors and are actively exploring and evaluating various strategic alternatives to reduce the level of our long-term debt and lower our future cash interest obligations, including debt repurchases, exchanges of existing debt securities for new debt securities and exchanges or conversions of existing debt securities for new equity securities, among other options. The timing and outcome of these efforts is highly uncertain, and one or more of these alternatives could potentially be consummated, without the consent of any one or more of our current security holders, through voluntary bankruptcy proceedings. Although we believe

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

that we will have adequate liquidity over the next twelve months to operate our business and to meet our cash requirements, based on current market conditions, we believe that a reduction in our long-term debt is needed to improve our financial position and flexibility and to better position us to take advantage of the growth opportunities that are likely to result from the current industry downturn.

In addition, on January 18, 2016, we received notice that we are not in compliance with the continued listing standards of the NYSE because the current trading price for our common stock is below the minimum listing requirements. We intend to take actions to meet the compliance standards for continued listing on the NYSE. However, we cannot guarantee that we will be able to meet the necessary requirements for continued listing, and, therefore, we cannot guarantee that our common stock will remain listed for trading on the NYSE.

Historically, we have provided a significant percentage of our oilfield services to CHK. For the years ended December 31, 2015, 2014 and 2013, CHK accounted for approximately 70%, 81% and 90%, respectively, of our revenues. As of December 31, 2015 and 2014, CHK accounted for approximately 65% and 77%, respectively, of our accounts receivable. If CHK ceases to engage us on terms that are attractive to us during any future period, our business, financial condition, cash flows and results of operations would be materially adversely affected during such period.

Accounts Receivable

Trade accounts receivable are recorded at the invoice amount and do not bear interest. The majority of our receivables, 65% and 77% at December 31, 2015 and 2014, respectively, are with CHK and its subsidiaries. The allowance for doubtful accounts represents our best estimate for losses that may occur resulting from disputed amounts with our customers and their inability to pay amounts owed. We determine the allowance based on historical write-off experience and information about specific customers. During the years ended December 31, 2015, 2014 and 2013, we recognized $1.4 million, $2.9 million and $0.4 million, respectively, of bad debt expense related to potentially uncollectible receivables. We also recognized reductions to our allowance of $0.5 million, $0.1 million and $0.4 million as we wrote off specific receivables against our allowance for the years ended December 31, 2015, 2014 and 2013, respectively.

Inventory

We value inventory at the lower of cost or market using the average cost method. Average cost is derived from third-party invoices and production cost. Production cost includes material, labor and manufacturing overhead. Inventory primarily consists of proppants and chemicals used in our hydraulic fracturing operations.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation of assets is based on estimates, assumptions and judgments relative to useful lives and salvage values. Upon the disposition of an asset, we eliminate the cost and related accumulated depreciation and include any resulting gain or loss in operating expenses in the consolidated statements of operations. Expenditures for maintenance and repairs that do not add capacity or extend the useful life of an asset are expensed as incurred.

Table of Contents

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A summary of our property and equipment amounts and useful lives is as follows:

	December 31, 2015	December 31, 2014	Estimated Useful Life (in years)
	(in thousands)		
Drilling rigs and related equipment	$ 1,594,377	$ 1,521,561	5-15
Hydraulic fracturing equipment	323,989	360,122	2-7
Oilfield rental equipment	324,976	332,085	2-10
Trucks and tractors	77,678	183,511	7
Vehicles	33,478	53,316	3
Buildings and improvements	196,240	202,196	10-39
Land	16,261	21,613	
Other	79,447	75,482	3-7
Total property and equipment, at cost	2,646,446	2,749,886	
Less: accumulated depreciation and amortization	(1,116,026)	(982,833)	
Total property and equipment, net	$ 1,530,420	$ 1,767,053	

Depreciation is calculated using the straight-line method based on the assets estimated useful lives and salvage values. These estimates are based on various factors including age (in the case of acquired assets), manufacturing specifications, technological advances and historical data concerning useful lives of similar assets.

We review the estimated useful lives of our property and equipment on an ongoing basis. Based on this review in 2015, we concluded that the estimated useful lives of certain drilling rig components and certain drilling rigs were shorter than the estimated useful lives used for depreciation in our consolidated financial statements. We reflected this useful life change as a change in estimate, effective January 1, 2015, which increased depreciation expense by $13.7 million, increased net loss by $9.7 million and increased our basic and diluted loss per share by $0.19 for the year ended December 31, 2015. Effective July 1, 2014, we concluded that the estimated useful lives of certain of our Tier 2 and Tier 3 drilling rigs were shorter than the estimated useful lives used for depreciation. This change in estimate increased depreciation expense by $3.9 million, increased net loss by $3.0 million and increased basic and diluted loss per share by $0.08 for the year ended December 31, 2014.

Depreciation expense on property and equipment for the years ended December 31, 2015, 2014 and 2013 was $295.1 million, $290.9 million and $285.6 million, respectively. Included in property and equipment are $77.7 million and $139.3 million at December 31, 2015 and 2014, respectively, of assets that are being constructed or have not been placed into service, and therefore are not subject to depreciation.

Interest is capitalized on the average amount of accumulated expenditures for major capital projects under construction using a weighted average interest rate based on our outstanding borrowings until the underlying assets are placed into service. Capitalized interest is added to the cost of the assets and amortized to depreciation expense over the useful life of the assets. During the years ended December 31, 2015, 2014 and 2013, we capitalized interest of approximately $2.3 million, $2.1 million and $1.1 million, respectively.

Impairment of Long-Lived Assets

We review our long-lived assets, such as property and equipment, whenever, in management s judgment, events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. Factors

F-10

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

that might indicate a potential impairment include a significant decrease in the market value of the long-lived asset, a significant change in the long-lived asset s physical condition, a change in industry conditions or a reduction in cash flows associated with the use of the long-lived asset. If these or other factors indicate the carrying amount of the asset may not be recoverable, we determine whether an impairment has occurred through analysis of the future undiscounted cash flows of the asset. If an impairment has occurred, we recognize a loss for the difference between the carrying amount and the fair value of the asset. We measure the fair value of the asset using market prices or, in the absence of market prices, based on an estimate of discounted cash flows.

Investments

Investments in securities are accounted for under the equity method in circumstances where we have the ability to exercise significant influence over the operating and investing policies of the investee but do not have control. Under the equity method, we recognize our share of the investee s earnings in our consolidated statements of operations. We consolidate all subsidiaries in which we hold a controlling interest.

We evaluate our investments for impairment and recognize a charge to earnings when any identified impairment is determined to be other-than-temporary. See Note 11 for further discussion of investments.

Goodwill, Intangible Assets and Amortization

Goodwill represents the cost in excess of fair value of the net assets of businesses acquired. In 2011, we recorded goodwill in the amount of $27.4 million related to our acquisition of Bronco Drilling Company, Inc. (Bronco). This goodwill was assigned to our drilling segment. Goodwill is not amortized. Intangible assets with finite lives are amortized on a basis that reflects the pattern in which the economic benefits of the intangible assets are realized, which is generally on a straight-line basis over an asset s estimated useful life.

We review goodwill for impairment annually on October 1 or more frequently if events or changes in circumstances indicate that the carrying amount of the reporting unit exceeds its fair value. Circumstances that could indicate a potential impairment include a significant adverse change in the economic or business climate, a significant adverse change in legal factors, an adverse action or assessment by a regulator, unanticipated competition, loss of key personnel and the likelihood that a reporting unit or significant portion of a reporting unit will be sold or otherwise disposed of. Under GAAP, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of one of our reporting units is greater than its carrying amount. If, after assessing the totality of events or circumstances, we determine it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, there is no need to perform any further testing. However, if we conclude otherwise, accounting guidance requires a two-step process for testing impairment. First, the fair value of each reporting unit is compared to its carrying value to determine whether an indication of impairment exists. Second, if impairment is indicated, the fair value of the reporting unit s goodwill is determined by allocating the unit s fair value to its assets and liabilities (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination on the impairment test date. The amount of impairment for goodwill is measured as the excess of the carrying value of the goodwill over its implied fair value.

When estimating fair values of a reporting unit for our goodwill impairment test, we use the income approach. The income approach provides an estimated fair value based on the reporting unit s anticipated cash flows that are discounted using a weighted average cost of capital rate. Estimated cash flows are primarily based on projected revenues, operating expenses and capital expenditures and are discounted using comparable industry average rates for weighted average cost of capital. For purposes of performing the impairment tests for goodwill, all of our goodwill related to our drilling reporting unit. We performed the two-step process for testing goodwill for impairment on October 1, 2015.

Table of Contents

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Due to the further deterioration of industry conditions in the fourth quarter of 2015, including the further decline in oil and natural gas prices, the Company determined that there was an indication of impairment present based on the results of the first step of the goodwill impairment test. During the fourth quarter of 2015, we completed our assessment and recognized an impairment loss of $27.4 million on the goodwill associated with the Bronco acquisition.

Deferred Financing Costs

Legal fees and other costs incurred in obtaining financing are amortized over the term of the related debt using a method that approximates the effective interest method. We had gross capitalized costs of $37.3 million and $31.0 million, net of accumulated amortization of $12.4 million and $7.1 million, at December 31, 2015 and 2014, respectively. In 2015, we capitalized costs of $6.3 million associated with the issuance of a Term Loan due 2021. Amortization expense related to deferred financing costs was $4.6 million, $6.1 million and $2.9 million for the years ended December 31, 2015, 2014 and 2013, respectively, and is included in interest expense in the consolidated statements of operations.

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-03, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. This standard requires retrospective application. This ASU is effective for annual reporting periods beginning after December 15, 2015. Early adoption is permitted and we elected to adopt ASU 2015-03 effective December 31, 2015. This change in accounting principle is preferable since it allows debt issuance costs and debt issuance discounts to be presented similarly in the consolidated balance sheets as a reduction to the face amount of our debt balances. A retrospective change to the December 31, 2014 consolidated balance sheet as previously presented is required pursuant to ASU 2015-03. The retrospective adjustment to the December 31, 2014 consolidated balance sheet is shown below.

	December 31, 2014		
	As Adjusted	Adjustment Effect	As Previously Reported
		(in thousands)	
Deferred financing costs(a)	$ 1,592	$ (22,259)	$ 23,851
Long-term debt, less current maturities	$ 1,572,241	$ 22,259	$ 1,594,500

(a) The deferred financing costs, as adjusted, were incurred in association with the credit facility (See Note 6).

Accounts Payable

Included in accounts payable at December 31, 2014 are liabilities of $4.5 million representing the amount by which checks issued, but not yet presented to our banks for collection, exceeded balances in applicable bank accounts, considering the legal right of offset.

Revenue Recognition

We recognize revenue when services are performed, collection of receivables is reasonably assured, persuasive evidence of an arrangement exists and the price is fixed or determinable.

Drilling. We earn revenues by drilling oil and natural gas wells for our customers under daywork contracts. We recognize revenue on daywork contracts for the days completed based on the day rate each contract specifies. Payments received and costs incurred for mobilization services are recognized as earned over the

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

days of mobilization. We also recognize revenue for contract termination fees paid by our customers. Under certain of our contracts, we have agreed to allow customers to pay the termination cost over the life of the contract in lieu of a lump sum, and we refer to a rig in this circumstance as idle but contracted or IBC . IBC payments are structured to preserve our anticipated operating margins for the affected rigs through the end of the contract terms and are recognized as revenue over the life of the contract.

Hydraulic Fracturing. We recognize revenue upon the completion of each fracturing stage. We typically complete one or more fracturing stages per day per active crew during the course of a job. A stage is considered complete when the customer requests or the job design dictates that pumping discontinue for that stage. Invoices typically include a lump sum equipment charge determined by the rate per stage each contract specifies and product charges for sand, chemicals and other products actually consumed during the course of providing our services.

Oilfield Rentals. We rent many types of oilfield equipment including drill pipe, drill collars, tubing, blowout preventers, frac tanks, mud tanks and environmental containment. We also provide air drilling, flowback services and services associated with the transfer of water to the wellsite for well completions. We price our rentals and services by the day or hour based on the type of equipment rented and the services performed and recognize revenue ratably over the term of the rental.

Former Oilfield Trucking. Oilfield trucking provided rig relocation and logistics services as well as fluid handling services. Our trucks moved drilling rigs, crude oil, and other fluids and construction materials to and from the wellsite and also transported produced water from the wellsite. We priced these services by the hour and volume and recognized revenue as services were performed. As part of the spin-off, we sold our crude hauling business to a third party. During 2015, we sold our drilling rig relocation and logistics business and water hauling assets. As of June 30, 2015, there were no remaining assets or operations in this former segment.

Other Operations. We designed, engineered and fabricated natural gas compression packages, accessories and related equipment that we sold to CHK and other customers. We priced our compression units based on certain specifications such as horsepower, stages and additional options. We recognized revenue upon completion and transfer of ownership of the natural gas compression equipment. As part of the spin-off, we distributed our compression unit manufacturing business to CHK.

Litigation Accruals

We estimate our accruals related to litigation based on the facts and circumstances specific to the litigation and our past experience with similar claims. We estimate our liability related to pending litigation when we believe the amount or a range of the loss can be reasonably estimated. We record our best estimate of a loss when the loss is considered probable. When a loss is probable and there is a range of estimated loss with no best estimate in the range, we record the minimum estimated liability related to a lawsuit or claim. As additional information becomes available, we assess the potential liability related to our pending litigation and claims and revise our estimates accordingly.

Environmental Costs

Our operations involve the storage, handling, transport and disposal of bulk waste materials, some of which contain oil, contaminants and regulated substances. These operations are subject to various federal, state and local laws and regulations intended to protect the environment. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefit are expensed. There were no amounts capitalized as of December 31, 2015 and 2014. We record liabilities on an undiscounted basis when remediation efforts are probable and the costs to conduct such remediation efforts can be reasonably estimated.

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Leases

We lease rail cars and other property and equipment through various leasing arrangements (see Note 8). When we enter into a leasing arrangement, we analyze the terms of the arrangement to determine its accounting treatment. As of December 31, 2015, all leases have been accounted for as operating leases.

We periodically incur costs to improve the assets that we lease under these arrangements. We record the improvement as a component of property and equipment and amortize the improvement over the shorter of the useful life of the improvement or the remaining lease term.

Share-Based Compensation

Our share-based compensation program consists of restricted stock and stock options granted to employees and restricted stock granted to non-employee directors under the SSE 2014 Incentive Plan (the 2014 Plan). We recognize in our financial statements the cost of employee services received in exchange for restricted stock and stock options based on the fair value of the equity instruments as of the grant date. In general, this value is amortized over the vesting period; for grants with a non-substantive service condition, this value is recognized immediately. Amounts are recognized in operating costs and general and administrative expenses.

Income Taxes

Through the effective date of the spin-off, our operations were included in the consolidated federal income tax return and other state returns for CHK. The income tax provision for the period before the spin-off has been prepared on a separate return basis for us and all of our subsidiaries. Accordingly, we have recognized deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases for all our subsidiaries as if each entity were a corporation, regardless of its actual characterization for U.S. federal income tax purposes. Our effective tax rate was 29%, 22% and 28% for the years ended December 31, 2015, 2014 and 2013, respectively. Our effective tax rate can fluctuate as a result of the impact of state income taxes, permanent differences and changes in pre-tax income. Effective with the spin-off, we entered into a tax sharing agreement with CHK which governs the respective rights, responsibilities and obligations of each company, for tax periods prior to the spin-off, with respect to the payment of taxes, filing of tax returns, reimbursement of taxes, control of audits and other tax proceedings, liability for taxes that may be triggered as a result of the spin-off and other matters regarding taxes. Following the spin-off, we are not entitled to federal income tax net operating loss (NOL) carryforwards that were generated prior to the spin-off and that have historically been reflected in our net deferred income tax liabilities on our consolidated balance sheet. As of the spin-off date, we made an adjustment to our deferred tax liabilities of approximately $178.8 million to reflect the treatment of NOLs under the tax sharing agreement. In connection with the spin-off, we received a one-time step-up in tax basis of our assets due to the tax gain recognized by CHK related to the spin-off in the tax affected amount of approximately $202.6 million.

A valuation allowance for deferred tax assets is recognized when it is more likely than not that some or all of the benefit from the deferred tax asset will not be realized. To assess that likelihood, we use estimates and judgment regarding our future taxable income, as well as the jurisdiction in which such taxable income is generated, to determine whether a valuation allowance is required. Such evidence can include our current financial position, our results of operations, both actual and forecasted, the reversal of deferred tax liabilities, and tax planning strategies as well as the current and forecasted business economics of our industry. Based on the expected reversal of our recorded deferred tax liabilities, we had no valuation allowance at December 31, 2015 and 2014.

Table of Contents

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The benefit of an uncertain tax position taken or expected to be taken on an income tax return is recognized in the consolidated financial statements at the largest amount that is more likely than not to be sustained upon examination by the relevant taxing authority. Interest and penalties, if any, related to uncertain tax positions would be recorded in interest expense and other expense, respectively. There were no uncertain tax positions at December 31, 2015 and 2014.

3. Earnings Per Share

Basic earnings per share is computed using the weighted average number of shares of common stock outstanding and includes the effect of any participating securities as appropriate. Participating securities consist of unvested restricted stock issued to our employees and non-employee directors that provide non-forfeitable dividend rights and are required to be included in the computation of our basic earnings per share using the two-class method. The two-class method is an earnings allocation formula that determines earnings per share for common stock and participating securities according to dividends declared and participation rights in undistributed earnings. Diluted earnings per share is computed using the weighted average shares outstanding for basic earnings per share, plus the dilutive effect of stock options. The dilutive effect of unvested restricted stock and stock options is determined using the treasury stock method, which assumes the amount of unrecognized compensation expense related to unvested share-based compensation awards is used to repurchase shares at the average market price for the period.

	Years Ended December 31,		
	2015	2014	2013
	(in thousands, except per share data)		
Basic loss per share:			
Allocation of earnings:			
Net loss	$ (221,391)	$ (7,979)	$ (19,735)
Weighted average common shares outstanding(a)	50,096	47,236	46,932
Basic loss per share	$ (4.42)	$ (0.17)	$ (0.42)
Diluted loss per share:			
Allocation of earnings:			
Net loss	$ (221,391)	$ (7,979)	$ (19,735)
Weighted average common shares, including dilutive effect(a)(b)(c)	50,096	47,236	46,932
Diluted loss per share	$ (4.42)	$ (0.17)	$ (0.42)

(a) 46,932,433 shares of our common stock were distributed to CHK shareholders on June 30, 2014 in conjunction with the spin-off. For comparative purposes, and to provide a more meaningful calculation for weighted average shares, we have assumed this amount to be outstanding for periods prior to the spin-off.

(b) No incremental shares of potentially dilutive restricted stock awards or units were included for periods presented as their effect was antidilutive under the treasury stock method.

(c) The exercise price of stock options exceeded the average market price of our common stock during the years ended December 31, 2015 and 2014. Therefore, the stock options were not dilutive.

4. Sale of Hodges Trucking Company, L.L.C.

On June 14, 2015, we sold Hodges Trucking Company, L.L.C. (Hodges), our previously wholly-owned subsidiary that provided drilling rig relocation and logistics services, to Aveda Transportation and Energy

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Services Inc. (Aveda) for aggregate consideration of $42.0 million. At the time of the sale, Hodges owned 270 rig relocation trucks and 65 cranes and forklifts. The sale did not include the land and buildings used in Hodges operations.

The consideration received consisted of $15.0 million in cash and a $27.0 million secured promissory note due June 15, 2020 (the Note Receivable). The Note Receivable bears a fixed interest rate of 9.00% per annum, which is payable quarterly in arrears beginning on June 30, 2015. Aveda can, at any time, make prepayments of principal before the maturity date without premium or penalty. The Note Receivable is secured by a second lien on substantially all of Aveda s fixed assets and accounts receivable. The Note Receivable is presented in other long-term assets on our condensed consolidated balance sheet. During 2015, we recognized interest income of $1.4 million related to the Note Receivable.

We recognized a loss of $35.0 million on the sale of Hodges. Additionally, during 2015, we recognized $2.1 million of additional stock-based compensation expense related to the vesting of restricted stock held by Hodges employees and $0.6 million of severance-related costs.

Hodges was included in our oilfield trucking segment. The sale of Hodges did not qualify as discontinued operations because the sale did not represent a strategic shift that had or will have a major effect on our operations or financial results.

5. Asset Sales and Impairments and Other

Asset Sales

During 2015, we sold our water hauling assets, which consisted of property and equipment that had a total carrying amount of $12.3 million, for $6.5 million. We sold other ancillary equipment for $21.2 million. During 2014, we sold 28 Tier 3 drilling rigs and ancillary drilling equipment for $44.8 million. We sold our crude hauling assets, which included 124 fluid handling trucks and 122 trailers that had a total carrying amount of $20.7 million, for $43.8 million. During 2013, we sold 14 drilling rigs and ancillary equipment that were not being utilized in our business for $50.6 million, net of selling expenses. We recorded net losses (gains) on sales of property and equipment of approximately $14.7 million, ($6.3) million and ($2.6) million during the years ended December 31, 2015, 2014 and 2013, respectively.

Impairments and Other

A summary of our impairments and other is as follows:

	Years Ended December 31,		
	2015	2014	2013

	(in thousands)		
Trucking and water disposal equipment	$ 2,737	$	$
Drilling rigs held for sale		11,237	23,574
Drilling rigs held for use	5,202	8,366	25,417
Lease termination costs		9,701	22,362
Drilling related services equipment	8,687		
Other	2,006	1,460	3,409
Total impairments and other	$ 18,632	$ 30,764	$ 74,762

We recognized $2.7 million of impairment charges during the year ended December 31, 2015 for certain trucking and water disposal equipment that we deemed to be impaired based on expected future cash flows of

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

this equipment. Estimated fair value for the trucking and fluid disposal equipment was determined using significant unobservable inputs (Level 3) based on an income approach.

During the years ended December 31, 2014 and 2013, we recognized $11.2 million and $23.6 million, respectively, of impairment charges for certain drilling rigs and spare equipment we had identified to sell as part of our broader strategy to divest of non-essential drilling rigs. We are required to present such assets at the lower of carrying amount or fair value less the anticipated costs to sell at the time they meet the criteria for held for sale accounting. Estimated fair value was based on the expected sales price, less costs to sell.

We also identified certain drilling rigs during the years ended December 31, 2015, 2014 and 2013 that we deemed to be impaired based on our assessment of future demand and the suitability of the identified rigs in light of this demand. We recorded impairment charges of $5.2 million, $8.4 million and $25.4 million during the years ended December 31, 2015, 2014 and 2013, respectively, related to these drilling rigs. Estimated fair value for these drilling rigs was determined using significant unobservable inputs (Level 3) based on a market approach.

During the year ended December 31, 2014, we purchased 45 leased drilling rigs for approximately $158.4 million and paid lease termination costs of approximately $9.7 million. During the year ended December 31, 2013, we purchased 23 leased drilling rigs for approximately $140.2 million and paid lease termination costs of approximately $22.4 million.

We recognized $8.7 million of impairment charges during the year ended December 31, 2015 for drilling-related services equipment that we deemed to be impaired based on the expected future cash flows of this equipment. The estimated fair value for the drilling-related services equipment was determined using significant unobservable inputs (Level 3) based on a market approach.

We identified certain other property and equipment during the years ended December 31, 2015, 2014 and 2013 that we deemed to be impaired based on our assessment of the market value and expected future cash flows of the long-lived asset. We recorded impairment charges of $2.0 million, $1.5 million and $3.4 million during the years ended December 31, 2015, 2014 and 2013, respectively, related to these assets. Estimated fair value for this property and equipment was determined using significant unobservable inputs (Level 3) based on an income approach.

The assumptions used in the impairment evaluation for long-lived assets are inherently uncertain and require management s judgment. A prolonged period of low oil and natural gas prices or continued reductions in capital expenditures by CHK or our other customers would likely have an adverse impact on our utilization and the prices that we receive for our services. This could result in the recognition of future material impairment charges on the same, or additional, property and equipment if future cash flow estimates, based upon information then available to management, indicate that their carrying values are not recoverable.

Table of Contents

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Debt

As of December 31, 2015 and 2014, our long-term debt consisted of the following:

	December 31,	
	2015	2014
	(in thousands)	
6.625% Senior Notes due 2019	$ 650,000	$ 650,000
6.50% Senior Notes due 2022	450,000	500,000
Term Loans	493,250	398,000
Credit Facility		50,500
Total principal amount of debt	1,593,250	1,598,500
Less: Current portion of long-term debt	(5,000)	(4,000)
Less: Unamortized deferred financing costs(a)	(23,658)	(22,259)
Total long-term debt(a)	$ 1,564,592	$ 1,572,241

(a) See Note 2 for applicable disclosures relating to a change in an accounting principle

2019 Senior Notes

In October 2011, we and SSF co-issued $650.0 million in aggregate principal amount of 6.625% Senior Notes due 2019 (the 2019 Notes). The 2019 Notes will mature on November 15, 2019 and interest is payable semi-annually in arrears on May 15 and November 15 of each year. The 2019 Notes are guaranteed by all of our existing subsidiaries other than certain immaterial subsidiaries and SSF, which is a co-issuer of the 2019 Notes.

We may redeem all or part of the 2019 Notes at the following prices (as a percentage of principal), plus accrued and unpaid interest, if redeemed during the 12-month period beginning on November 15 of the years indicated below:

Year	Redemption Price
2016	101.656%
2017 and thereafter	100.000%

The 2019 Notes are subject to covenants that, among other things, limit our ability and the ability of certain of our subsidiaries to: (1) sell assets; (2) declare dividends or make distributions on our equity interests or purchase or redeem our equity interests; (3) make investments or other specified restricted payments; (4) incur or guarantee additional indebtedness and issue disqualified or preferred equity; (5) create or incur certain liens; (6) enter into agreements that restrict the ability of our restricted subsidiaries to pay dividends, make intercompany loans or transfer assets to us; (7) effect a merger, consolidation or sale of all or substantially all of our assets; (8) enter into transactions with affiliates; and (9) designate subsidiaries as unrestricted subsidiaries. The 2019 Notes also have cross default provisions that apply to other indebtedness SSE or any of its guarantor subsidiaries may have from time to time with an outstanding principal amount of $50.0 million or more. If the 2019 Notes achieve an investment grade rating from either Moody s Investors Service, Inc. (Moody s) or Standard & Poor s Rating Services (S&P), our obligation to comp with certain of these covenants will be suspended, and if the 2019 Notes achieve an investment grade rating from both Moody s and S&P, all such covenants will terminate.

F-18

Table of Contents

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2022 Senior Notes

In June, 2014, we issued $500.0 million in aggregate principal amount of 6.50% Senior Notes due 2022 (the 2022 Notes). The 2022 Notes will mature on July 15, 2022 and interest is payable semi-annually in arrears on July 15 and January 15 of each year. Upon the full repayment of the 2019 Notes, the 2022 Notes will be fully and unconditionally guaranteed on a senior unsecured basis by each of our domestic subsidiaries that has outstanding indebtedness or guarantees in an aggregate principal amount greater than $15.0 million. Prior to the full repayment or refinancing of the 2019 Notes, each of our domestic subsidiaries, if any, that has outstanding indebtedness or guarantees in an aggregate principal amount greater than $15.0 million, other than (i) guarantors of the 2019 Notes, (ii) SSO or (iii) subsidiaries of SSO are required to fully and unconditionally guarantee the 2022 notes on a senior unsecured basis. We do not have any such subsidiaries currently; therefore, the 2022 Notes are not guaranteed.

We may redeem up to 35% of the 2022 Notes with proceeds of certain equity offerings at a redemption price of 106.5% of the principal amount plus accrued and unpaid interest prior to July 15, 2017, subject to certain conditions. Prior to July 15, 2017, we may redeem some or all of the 2022 Notes at a price equal to 100% of the principal amount plus a make-whole premium determined pursuant to a formula set forth in the indenture governing the 2022 Notes, plus accrued and unpaid interest. On or after July 15, 2017, we may redeem all or part of the 2022 Notes at the following prices (as a percentage of principal), plus accrued and unpaid interest, if redeemed during the 12-month period beginning on July 15 of the years indicated below:

Year	Redemption Price
2017	104.875%
2018	103.250%
2019	101.625%
2020 and thereafter	100.000%

The 2022 Notes are subject to covenants that, among other things, limit our ability and the ability of certain of our subsidiaries to: (1) sell assets; (2) declare dividends or make distributions on our equity interests or purchase or redeem our equity interests; (3) make investments or other specified restricted payments; (4) incur or guarantee additional indebtedness and issue disqualified or preferred equity; (5) create or incur certain liens; (6) enter into agreements that restrict the ability of our restricted subsidiaries to pay dividends, make intercompany loans or transfer assets to us; (7) effect a merger, consolidation or sale of all or substantially all of our assets; (8) enter into transactions with affiliates; and (9) designate subsidiaries as unrestricted subsidiaries. The 2022 Notes also have cross default provisions that apply to other indebtedness of SSE and certain of our subsidiaries. If the 2022 Notes achieve an investment grade rating from either Moody s or S&P, our obligation to comply with certain of these covenants will be suspended, and if the 2022 Notes achieve an investment grade rating from both Moody s and S&P, all such covenants will terminate.

During 2015, we repurchased and cancelled $50.0 million in aggregate principal amount of the 2022 Notes in multiple transactions for $31.3 million. We recognized gains on extinguishment of debt of $18.1 million, which reflected the accelerated amortization of deferred financing costs of $0.6 million.

Term Loans

In June 2014, we entered into a $400.0 million seven-year term loan credit agreement. Borrowings under the Term Loan bear interest at our option at either (i) the Base Rate, calculated as the greatest of (1) the Bank of America, N.A. prime rate, (2) the federal funds rate plus 0.50% and (3) a one-month London Interbank Offered Rate (LIBOR) rate adjusted daily plus 1.00% or (ii) LIBOR, with a floor of 0.75%, plus, in each case, an

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

applicable margin. The applicable margin for borrowings is 2.00% for Base Rate loans and 3.00% for LIBOR loans, depending on whether the Base Rate or LIBOR is used, provided that if and for so long as the leverage ratio is less than a certain level and the term loans have certain ratings from each of S&P and Moody s, such margins will be reduced by 0.25%. As of December 31, 2015, the applicable rate for borrowings under the Term Loan was 3.75%. The Term Loan is repayable in equal consecutive quarterly installments equal to 0.25% (1.00% per annum) of the original principal amount of the Term Loan and will mature in full on June 25, 2021.

Obligations under the Term Loan are guaranteed jointly and severally by all of our present and future direct and indirect wholly-owned material domestic subsidiaries, other than certain excluded subsidiaries. Amounts borrowed under the Term Loan are secured by liens on all of our equity interests in our current and future subsidiaries, and all of our subsidiaries present and future real property, equipment (including drilling rigs and frac spread equipment), fixtures and other fixed assets.

We may prepay all or a portion of our Term Loan at any time. Borrowings under our Term Loan may be subject to mandatory prepayments with the net cash proceeds of certain issuances of debt, certain asset sales and other dispositions and certain condemnation events, and with excess cash flow in any calendar year in which our leverage ratio exceeds 3.25 to 1.00. The Term Loan contains various covenants and restrictive provisions which limit our ability to (1) enter into asset sales; (2) incur additional indebtedness; (3) make investments or loans and create liens; (4) pay certain dividends or make other distributions and (5) engage in transactions with affiliates.

In May 2015, we entered into an incremental term supplement to the Term Loan and borrowed an additional $100.0 million in aggregate principal amount (the Incremental Term Loan), receiving net proceeds of $94.5 million. Borrowings under the Incremental Term Loan bear interest at our option at either (i) LIBOR, with a floor of 1.00% or (ii) the Base Rate, calculated as the greatest of (1) the Bank of America, N.A. prime rate, (2) the federal funds rate plus 0.50% and (3) a one-month LIBOR rate adjusted daily plus 1.00%, plus, in each case, an applicable margin. The applicable margin for borrowings is 9.00% for LIBOR loans and 8.00% for Base Rate loans, depending on whether the Base Rate or LIBOR is used. As of December 31, 2015, the applicable rate for borrowings under the Incremental Term Loan was 10.00%. The Incremental Term Loan is payable in equal consecutive quarterly installments equal to 0.25% (1.00% per annum) of the original principal amount of the Incremental Term Loan and will mature in full on June 25, 2021.

Credit Facilities

In November 2011, we entered into a five-year senior secured revolving bank credit facility with total commitments of $500.0 million. In connection with the spin-off, we repaid in full borrowings outstanding under this credit facility and terminated this credit facility.

In June 2014, we, through SSO, entered into a five-year senior secured revolving bank credit facility with total commitments of $275.0 million. The maximum amount that we may borrow under the credit facility is subject to the borrowing base, which is based on a percentage of eligible accounts receivable, subject to reserves and other adjustments. As of December 31, 2015, the credit facility had availability of $125.5 million, net of letters of credit of $10.2 million. All obligations under the credit facility are fully and unconditionally guaranteed jointly and severally by SSE, and all of our present and future direct and indirect material domestic subsidiaries. Borrowings under the credit facility are secured by liens on cash and accounts receivable of the borrowers and the guarantors, and bear interest at our option at either (i) the Base Rate, calculated as the greatest of (1) the rate of interest publicly announced by Wells Fargo Bank, National Association, as its prime rate, subject to each increase or decrease in such prime rate effective as of the date such change occurs, (2) the federal funds effective rate plus 0.50% and (3) the one-month LIBOR Rate plus 1.00%, each of which is subject to an applicable margin, or (ii) LIBOR, plus, in each case, an applicable margin. The applicable margin ranges from 0.50% to 1.00% per

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

annum for Base Rate loans and 1.50% to 2.00% per annum for LIBOR loans. The unused portion of the credit facility is subject to a commitment fee that varies from 0.250% to 0.375% per annum, according to average unused amounts. Interest on LIBOR loans is payable at the end of the selected interest period, but no less frequently than quarterly. Interest on Base Rate loans is payable monthly in arrears.

The credit facility contains various covenants and restrictive provisions which limit our ability to (1) enter into asset sales; (2) incur additional indebtedness; (3) make investments or loans and create liens; (4) pay certain dividends or make other distributions and (5) engage in transactions with affiliates. The credit facility requires maintenance of a fixed charge coverage ratio based on the ratio of consolidated EBITDA (minus unfinanced capital expenditures) to fixed charges, in each case as defined in the credit facility agreement, at any time availability is below a certain threshold and for a certain period of time thereafter. If we fail to perform our obligations under the agreement, the credit facility could be terminated and any outstanding borrowings under the credit facility may be declared immediately due and payable. The credit facility also contains cross default provisions that apply to our other indebtedness.

7. Other Current Liabilities

Other current liabilities as of December 31, 2015 and 2014 are detailed below:

	December 31, 2015	December 31, 2014
	(in thousands)	
Other Current Liabilities:		
Accrued expenses	$ 29,760	$ 88,538
Payroll related	21,561	47,711
Self-insurance reserves	9,718	14,521
Interest	22,950	25,035
Income, property, sales, use and other taxes	8,336	13,937
Property and equipment	5,993	26,010
Total Other Current Liabilities	$ 98,318	$ 215,752

8. Commitments and Contingencies

Operating Leases

As of December 31, 2015, we were party to five lease agreements with various third parties to utilize 725 lease rail cars for initial terms of five to seven years. Additional rental payments are required for the use of rail cars in excess of the allowable mileage stated in the respective agreement.

As of December 31, 2015, we were also party to various lease agreements for other property and equipment with varying terms.

Table of Contents

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Aggregate undiscounted minimum future lease payments under our operating leases at December 31, 2015 are presented below:

	Rail Cars	Other	Total
		(in thousands)	
2016	$ 5,298	$ 1,026	$ 6,324
2017	2,724	553	3,277
2018	1,430	182	1,612
2019	715	3	718
Total	$ 10,167	$ 1,764	$ 11,931

Rent expense for drilling rigs, real property, rail cars and other property and equipment for the years ended December 31, 2015, 2014 and 2013 was $8.0 million, $35.5 million and $103.9 million, respectively, and was included in operating costs in our consolidated statements of operations.

Other Commitments

Much of the equipment we purchase requires long production lead times. As a result, we typically have outstanding orders and commitments for such equipment. As of December 31, 2015, we had $69.0 million of purchase commitments related to future inventory and capital expenditures that we expect to incur in 2016.

Litigation

We are involved in various lawsuits and disputes incidental to our business operations, including commercial disputes, personal injury claims, property damage claims and contract actions. We record an associated liability when a loss is probable and can be reasonably estimated. Although the outcome of litigation cannot be predicted with certainty, management is of the opinion that no pending or threatened lawsuit or dispute incidental to our business operations is likely to have a material adverse effect on our consolidated financial position, results of operations or cash flows. The final resolution of such matters could exceed amounts accrued and actual results could differ materially from management s estimates.

Self-Insured Reserves

We are self-insured up to certain retention limits with respect to workers compensation and general liability matters. We maintain accruals for self-insurance retentions that we estimate using third-party data and claims history. Included in operating costs is workers compensation expense of $4.0 million, $8.3 million and $13.6 million for the years ended December 31, 2015, 2014 and 2013, respectively.

9. Share-Based Compensation

Prior to the spin-off, our employees participated in the CHK share-based compensation program and received restricted stock, and in the case of senior management, stock options. Effective July 1, 2014, our employees participate in the SSE 2014 Incentive Plan (the 2014 Plan).

The 2014 Plan authorizes the Compensation Committee of our Board of Directors to grant incentive and nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, cash awards and performance awards. No more than 8.4 million shares of SSE common stock may be issued under the 2014 Plan.

Table of Contents

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In connection with the spin-off, unvested awards granted under the CHK share-based compensation program were cancelled and substituted as follows:

Each outstanding award of options to purchase shares of CHK common stock was replaced with a substitute award of options to purchase shares of SSE common stock. The substitute awards of options are intended to preserve the intrinsic value of the original option and the ratio of the exercise price to the fair market value of the stock subject to the option.

The CHK restricted stock awards and restricted stock unit awards were replaced with substitute awards in SSE common stock, each of which generally preserved the value of the original award.

Awards granted in connection with the substitution of awards originally issued under the CHK share-based compensation program are a part of the 2014 Plan and reduce the maximum number of shares of common stock available for delivery under the 2014 Plan.

Equity-Classified Awards

Restricted Stock. The fair value of restricted stock awards was determined based on the fair market value of SSE common shares on the date of the grant. This value is amortized over the vesting period.

A summary of the status and changes of the unvested shares of restricted stock under the 2014 Plan is presented below.

	Number of Unvested Restricted Shares (in thousands)	**Weighted Average Grant Date Fair Value**
Unvested shares as of December 31, 2014	3,933	$ 24.02
Granted	4,003	$ 4.58
Vested	(1,487)	$ 21.82
Forfeited	(553)	$ 18.07
Unvested shares as of December 31, 2015	5,896	$ 11.93

As of December 31, 2015, there was $38.1 million of total unrecognized compensation cost related to the unvested restricted stock. The cost is expected to be recognized over a weighted average period of approximately twenty-five months.

Stock Options. CHK granted stock options to our chief executive officer under CHK s Long-Term Incentive Plan for incentive and retention purposes, which were replaced with a substitute option to purchase shares of SSE common stock in connection with the spin-off. The substitute incentive-based stock options vest ratably over a three-year period and the substitute retention-based stock options will vest one-third on each of the third, fourth and fifth anniversaries of the grant date of the original CHK award. Outstanding options expire ten years from the date of grant of the original CHK award. We have not issued any new stock options, other than the replacement awards, since the spin-off.

Table of Contents

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table provides information related to stock option activity for the year ended December 31, 2015:

	Number of Shares Underlying Options (in thousands)	Weighted Average Exercise Price Per Share	Weighted Average Contract Life in Years	Aggregate Intrinsic Value(a) (in thousands)
Outstanding at January 1, 2015	348	$ 16.19	9.24	$
Granted		$		$
Exercised		$		$
Outstanding at December 31, 2015	348	$ 16.19	7.23	$
Exercisable at December 31, 2015	89	$ 16.46	7.28	$

(a) The intrinsic value of a stock option is the amount by which the current market value or the market value upon exercise of the underlying stock exceeds the exercise price of the option.

As of December 31, 2015, there was $0.4 million of total unrecognized compensation cost related to stock options. The cost is expected to be recognized over a weighted average period of approximately eleven months.

Through the date of the spin-off we were charged by CHK for share-based compensation expense related to our direct employees. Pursuant to the employee matters agreement with CHK, our employees received a new award under the 2014 Plan in substitution for each unvested CHK award then held (which were cancelled). We recorded a non-recurring credit of $10.5 million to operating costs and general and administrative expenses during the second quarter of 2014 as a result of the cancellation of the unvested CHK awards.

Included in operating costs and general administrative expenses is stock-based compensation expense of $38.5 million, $29.8 million and $13.2 million for the years ended December 31, 2015, 2014 and 2013. Prior to the spin-off, we reimbursed CHK for these costs in accordance with the administrative services agreement. To the extent the compensation cost relates to employees indirectly involved in oilfield services operations, such amounts were charged to us through an overhead allocation and are reflected as general and administrative expenses.

Other

Performance Share Units. CHK granted performance share units (PSUs) to our chief executive officer under CHK s Long Term Incentive Plan that includes both an internal performance measure and external market condition as it relates to CHK. Following the spin-off, compensation expense is recognized through the changes in fair value of the PSUs over the vesting period with a corresponding adjustment to equity and any related cash obligations are the responsibility of CHK. We recognized (credits) expenses of ($1.6) million, ($0.4) million and $1.4 million related to these PSUs for the years ended December 31, 2015, 2014 and 2013, respectively.

Table of Contents

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Income Taxes

The components of income tax (benefit) expense for each of the periods presented below are as follows:

	Years Ended December 31, 2015	2014	2013
		(in thousands)	
Current	$ 58	$ 674	$ 1,422
Deferred	(92,686)	(2,863)	(9,255)
Total	$ (92,628)	$ (2,189)	$ (7,833)

The effective income benefit differed from the computed expected federal income tax expense on earnings before income taxes for the following reasons:

	Years Ended December 31, 2015	2014	2013
		(in thousands)	
Income tax benefit at the federal statutory rate (35%)	$ (109,906)	$ (3,559)	$ (9,649)
State income taxes (net of federal income tax benefit)	(4,118)	538	677
Stock-based compensation shortfall	8,967		
Goodwill impairment	9,602		
Other permanent differences	2,518	601	1,369
Effect of change in state taxes	(23)		
Other	332	231	(230)
Total	$ (92,628)	$ (2,189)	$ (7,833)

Table of Contents

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Deferred income taxes are provided to reflect temporary differences in the basis of net assets for income tax and financial reporting purposes. As of the spin-off date, we made an adjustment to our deferred tax liabilities of approximately $178.8 million to reflect the treatment of federal income tax NOL carryforwards under the tax sharing agreement. In connection with the spin-off, we received a one-time step-up in tax basis of our assets due to the tax gain recognized by CHK related to the spin-off in the tax-effected amount of approximately $202.6 million. The tax-effected temporary differences and tax loss carryforwards which comprise deferred taxes are as follows:

	Years Ended December 31,	
	2015	2014
	(in thousands)	
Deferred tax liabilities:		
Property and equipment	$ (242,879)	$ (230,480)
Intangible assets	(1,551)	(2,032)
Prepaid expenses	(3,580)	(4,262)
Other	(1,121)	(779)
Deferred tax liabilities	(249,131)	(237,553)
Deferred tax assets:		
Net operating loss carryforwards	172,822	62,826
Deferred stock compensation	10,035	9,682
Accrued liabilities	3,231	9,840
Other	3,919	3,395
Deferred tax assets	190,007	85,743
Net deferred tax liability	$ (59,124)	$ (151,810)
Reflected in accompanying balance sheets as:		
Current deferred income tax asset	$ 1,499	$ 7,463
Non-current deferred income tax liability	(60,623)	(159,273)
Total	$ (59,124)	$ (151,810)

At December 31, 2015, SSE had NOL carryforwards of approximately $469.5 million. The NOL carryforwards expire from 2034 through 2035. The value of these carryforwards depends on the ability of SSE to generate taxable income. We considered both positive and negative evidence in our determination of the need for valuation allowances for the deferred tax assets associated with our NOLs and other deferred tax assets. We determined it is more likely than not that our NOLs and other deferred tax assets will be utilized, and accordingly no valuation allowance has been recorded. However, some or all of these NOLs could expire unused if we are unable to generate sufficient taxable income in the future to utilize them or we enter into transactions that limit our right to use them. We have retained restructuring advisors and are actively exploring and evaluating various strategic alternatives to reduce the level of our long-term debt and lower our future cash interest obligations, including debt repurchases, exchanges of existing debt securities for new debt securities and exchanges or conversions of existing debt securities into new equity securities, among other options. The outcome of these efforts could potentially reduce our NOLs or limit the use of them in the future. If it became more likely than not NOLs would expire unused, we would have to create a valuation allowance to reflect this fact, which could materially increase our income tax expense, and therefore, adversely affect our results of operations in the period in which it is recorded. We will continue to assess the need for a valuation allowance in the future.

Table of Contents

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Equity Method Investment

We own 49% of the membership interest in Maalt Specialized Bulk, L.L.C. (Maalt). Maalt provides bulk transportation, transloading and sand hauling services, and its assets consist primarily of trucks and trailers. We recorded equity method adjustments to our investment of $0.9 million, ($1.6) million and $0.2 million for our share of Maalt s income (loss) for the years ended December 31, 2015, 2014 and 2013, respectively. We also made additional investments of $0.1 million, $0.7 million and $0.4 million during the years ended December 31, 2015, 2014 and 2013, respectively.

We review our equity method investments for impairment whenever certain impairment indicators exist, including the absence of an ability to recover the carrying amount of the investment or inability of the investee to sustain an earnings capacity that would justify the carrying amount of the investment. A loss in value of an investment which is other than a temporary decline should be recognized. Due to further deterioration of industry conditions in the fourth quarter of 2015, we determined that there were indications of impairment present. We estimated that the fair value of our investment in Maalt was zero as of December 31, 2015, resulting in a non-cash impairment charge of $8.8 million for the year ended December 31, 2015. We also recognized a non-cash impairment charge of $4.5 million for the year ended December 31, 2014. The impairment charges are included in loss and impairment from equity investees in our condensed consolidated statements of operations. Estimated fair value for our investment in Maalt was determined using significant unobservable inputs (Level 3) based on an income approach.

12. Fair Value Measurements

The fair value measurement standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (referred to as an exit price). Authoritative guidance on fair value measurements and disclosures clarifies that a fair value measurement for a liability should reflect the entity s non-performance risk. In addition, a fair value hierarchy is established that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability. This category includes quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Measured based on prices or valuation models that require inputs that are both significant to the fair value measurement and less observable from objective sources.

Fair Value on Recurring Basis

The carrying values of cash, trade receivables and trade payables are considered to be representative of their respective fair values due to the short-term nature of these instruments.

Table of Contents

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Fair Value on Non-Recurring Basis

Fair value measurements were applied with respect to our non-financial assets and liabilities measured on a non-recurring basis, which consist primarily of impairments on long-lived assets, goodwill and an equity method investment based on Level 3 inputs. See Notes 2, 5 and 11 for additional discussion.

Fair Value of Other Financial Instruments

The fair value of our note receivable and debt, as shown in the table below, are the estimated amounts a market participant would have to pay to purchase the note receivable or our debt, including any premium or discount attributable to the difference between the stated interest rate and market rate of interest at the balance sheet date. Fair values are based on quoted market prices or average valuations of similar debt instruments at the balance sheet date for those debt instruments for which quoted market prices are not available. Estimated fair values are determined by using available market information and valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

	December 31, 2015		December 31, 2014	
	Carrying Amount(a)	Fair Value (Level 2)	Carrying Amount(a)	Fair Value (Level 2)
	(in thousands)			
Financial assets:				
Note Receivable	$ 27,000	$ 17,842	$	$
Financial liabilities:				
6.625% Senior Notes due 2019	$ 642,713	$ 221,975	$ 640,832	$ 519,188
6.50% Senior Notes due 2022	$ 444,701	$ 71,865	$ 493,260	$ 296,250
Term Loans	$ 482,178	$ 371,080	$ 391,649	$ 379,095
Credit Facility	$	$	$ 50,500	$ 47,407
Less: Current portion of long-term debt	$ 5,000		$ 4,000	
Total long-term debt(a)	$ 1,564,592		$ 1,572,241	

(a) See Note 2 for applicable disclosures relating to a change in an accounting principle

13. Concentration of Credit Risk and Major Customers

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash and trade receivables. Accounts receivable from CHK and its affiliates were $109.6 million and $326.7 million as of December 31, 2015 and December 31, 2014, or 65% and 77%, respectively, of our total accounts receivable. Revenues from CHK and its affiliates were $789.5 million, $1.676 billion and $1.960 billion for the years ended December 31, 2015, 2014 and 2013, or 70%, 81% and 90%, respectively, of our total revenues. We believe that the loss of this customer would have a material adverse effect on our operating results as there can be no assurance that replacement customers would be identified and accessed in a timely fashion.

14. Transactions with CHK

Prior to the completion of our spin-off on June 30, 2014, we were a wholly owned subsidiary of CHK, and transactions between us and CHK (including its subsidiaries) were considered to be transactions with affiliates. Subsequent to June 30, 2014, CHK and its subsidiaries are not considered affiliates of us or any of our subsidiaries. We have disclosed below all agreements entered into between us and CHK prior to the completion of our spin-off.

Table of Contents

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On June 25, 2014, we entered into a master separation agreement and several other agreements with CHK as part of the spin-off. The master separation agreement entered into between CHK and us governs the separation of our businesses from CHK, the distribution of our shares to CHK shareholders and other matters related to CHK s relationship with us, including cross-indemnities between us and CHK. In general, CHK agreed to indemnify us for any liabilities relating to CHK s business and we agreed to indemnify CHK for any liabilities relating to our business.

On June 25, 2014, we entered into a tax sharing agreement with CHK, which governs the respective rights, responsibilities and obligations of CHK and us with respect to tax liabilities and benefits, tax attributes, the preparation and filing of tax returns, the control of audits and other tax proceedings, and certain other matters regarding taxes.

On June 25, 2014, we entered into an employee matters agreement with CHK providing that each company has responsibility for our own employees and compensation plans. The agreement also contains provisions concerning benefit protection for both SSE and CHK employees, treatment of holders of CHK stock options, restricted stock, restricted stock units and performance share units, and cooperation between us and CHK in the sharing of employee information and maintenance of confidentiality.

On June 25, 2014, we entered into a transition services agreement with CHK under which CHK provided or made available to us various administrative services and assets for specified periods beginning on the distribution date. In consideration for such services, we paid CHK certain fees, a portion of which was a flat fee, generally in amounts intended to allow CHK to recover all of its direct and indirect costs incurred in providing those services. These charges from CHK were $8.3 million and $18.0 million for the years ended December 31, 2015 and 2014, respectively. This agreement was terminated during the second quarter of 2015.

We are party to a master services agreement with CHK pursuant to which we provide drilling and other services and supply materials and equipment to CHK. Drilling services are typically provided pursuant to rig-specific daywork drilling contracts similar to those we use for other customers. The specific terms of each request for other services are typically set forth in a field ticket, purchase order or work order. The master services agreement contains general terms and provisions, including minimum insurance coverage amounts that we are required to maintain and confidentiality obligations with respect to CHK s business, and allocates certain operational risks between CHK and us through indemnity provisions. The master services agreement will remain in effect until we or CHK provides 30 days written notice of termination, although such agreement may not be terminated during the term of the services agreement described below.

Prior to the spin-off, we were party to a services agreement with CHK under which CHK guaranteed the utilization of a portion of our drilling rig and hydraulic fracturing fleets during the term of the agreement. In connection with the spin-off, we entered into new services agreements with CHK which supplements the master services agreement. Under the new services agreement, CHK is required to utilize the lesser of (i) seven, five and three of our hydraulic fracturing crews in years one, two and three of the agreement, respectively, or (ii) 50% of the total number of all hydraulic fracturing crews working for CHK in all its operating regions during the respective year. CHK is required to utilize our hydraulic fracturing services for a minimum number of stages as set forth in the agreement. CHK is entitled to terminate the agreement in certain situations, including in the event we fail to materially comply with the overall quality of service provided by similar service providers. Additionally, CHK s requirement to utilize our services may be suspended under certain circumstances, such as if we are unable to timely accept and supply services ordered by CHK or as a result of a force majeure event.

Table of Contents

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In connection with the spin-off, we entered into rig-specific daywork drilling contracts with CHK for the provision of drilling services. The drilling contracts had a commencement date of July 1, 2014 and terms ranging from three months to three years. CHK has the right to terminate the drilling contracts under certain circumstances.

Prior to the spin-off, we were party to a facilities lease agreement with CHK pursuant to which we leased a number of the storage yards and physical facilities out of which we conduct our operations. We incurred $8.2 million and $16.5 million and of lease expense for the years ended December 31, 2014 and 2013, respectively, under this facilities lease agreement. In connection with the spin-off, we acquired the property subject to the facilities lease agreement, and the facilities lease agreement was terminated.

Prior to the spin-off, CHK provided us with general and administrative services and the services of its employees pursuant to an administrative services agreement. These services included legal, accounting, treasury, environmental, safety, information technology and other corporate services. In return for the general and administrative services provided by CHK, we reimbursed CHK on a monthly basis for the overhead expenses incurred by CHK on our behalf in accordance with its allocation policy, which included costs and expenses incurred in connection with the provision of any of the services under the agreement, including the wages and benefits of CHK employees who perform services on our behalf. The administrative expense allocation was determined by multiplying revenues by a percentage determined by CHK based on the historical average of costs incurred on our behalf. All of the administrative cost allocations were based on assumptions that management believes are reasonable; however, these allocations are not necessarily indicative of the costs and expenses that would have resulted if we had been operating as a stand-alone entity. These charges from CHK were $26.8 million and $55.5 million for the years ended December 31, 2014 and 2013, respectively. In connection with the spin-off, we terminated the administrative services agreement and entered into the transition services agreement described above.

15. Segment Information

As of December 31, 2015, our revenues, income (loss) before income taxes and identifiable assets are primarily attributable to three reportable segments. Each of these segments represents a distinct type of business. These segments have separate management teams which report to our chief operating decision maker. The results of operations in these segments are regularly reviewed by our chief operating decision maker for purposes of determining resource allocation and assessing performance. Management evaluates the performance of our segments based upon earnings before interest, taxes, depreciation and amortization, as further adjusted to add back nonrecurring items. The following is a description of the segments and other operations:

Drilling. Our drilling segment provides land drilling services for oil and natural gas E&P activities. As of December 31, 2015, we owned a fleet of 91 land drilling rigs.

Hydraulic Fracturing. Our hydraulic fracturing segment provides hydraulic fracturing and other well stimulation services. Currently, we own 11 hydraulic fracturing fleets with an aggregate of 440,000 horsepower.

Oilfield Rentals. Our oilfield rentals segment provides premium rental tools for land-based oil and natural gas drilling, completion and workover activities.

Former Oilfield Trucking. Our oilfield trucking segment provided drilling rig relocation and logistics services as well as fluid handling services. During the second quarter of 2015, we sold Hodges and our water hauling assets. As part of the spin-off, we sold our crude hauling assets to a third party. As of June 30, 2015, there were no remaining assets or operations in the oilfield trucking segment. Our former oilfield trucking segment s historical results for periods prior to the sale continue to be included in our historical financial results as a component of continuing operations as reflected in the tables below.

Table of Contents

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other Operations. Prior to the spin-off, our other operations consisted primarily of our compression unit manufacturing business and corporate functions, including our 2019 Notes, 2022 Notes, Term Loans and credit facilities. As part of the spin-off, we distributed our compression unit manufacturing business to CHK.

	Drilling	Hydraulic Fracturing	Oilfield Rentals	Former Oilfield Trucking	Other Operations	Intercompany Eliminations	Consolidated Total
				(in thousands)			
For The Year Ended December 31, 2015:							
Revenues	$ 437,749	$ 575,495	$ 77,292	$ 45,512	$ 8,461	$ (13,265)	$ 1,131,244
Intersegment revenues	(1,345)		(705)	(2,773)	(8,442)	13,265	
Total revenues	$ 436,404	$ 575,495	$ 76,587	$ 42,739	$ 19	$	$ 1,131,244
Depreciation and amortization	163,380	70,605	41,049	8,787	11,600		295,421
Losses (gains) on sales of property and equipment, net	10,566	230	(1,780)	5,728	(88)		14,656
Impairment of goodwill	27,434						27,434
Impairments and other	14,329			2,737	1,566		18,632
Gains on early extinguishment of debt					18,061		18,061
Interest expense					(99,267)		(99,267)
Loss and impairment from equity investees		(7,928)					(7,928)
Other income	813	1,201	68	16	954		3,052
Loss Before Income Taxes	$ (43,195)	$ (22,680)	$ (40,216)	$ (38,420)	$ (169,508)	$	$ (314,019)
Total Assets	$ 1,144,144	$ 291,584	$ 92,588	$	$ 374,302	$	$ 1,902,618
Capital Expenditures	$ 153,279	$ 32,743	$ 6,706	$	$ 12,978	$	$ 205,706
For The Year Ended December 31, 2014:							
Revenues	$ 774,888	$ 885,907	$ 154,416	$ 195,618	$ 109,942	$ (39,879)	$ 2,080,892

Intersegment revenues	(358)		(1,296)	(5,139)	(33,086)	39,879	
Total revenues	$ 774,530	$ 885,907	$ 153,120	$ 190,479	$ 76,856	$	$ 2,080,892
Depreciation and amortization	140,884	72,105	52,680	21,817	5,426		292,912
Losses (gains) on sales of property and equipment, net	17,931	(17)	(2,355)	(21,853)	22		(6,272)
Impairments and other(a)	29,602	207	955				30,764
Interest expense					(79,734)		(79,734)
Loss and impairment from equity investees		(6,094)					(6,094)
Other income (expense)	364	60	179	226	(165)		664
Income (Loss) Before Income Taxes	$ 79,999	$ 63,548	$ (2,459)	$ 6,359	$ (157,615)	$	$ (10,168)
Total Assets	$ 1,322,160	$ 449,966	$ 155,683	$ 138,909	$ 224,754	$ (1,179)	$ 2,290,293
Capital Expenditures	$ 373,353	$ 37,211	$ 22,337	$ 3,599	$ 21,118	$	$ 457,618

Table of Contents

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Drilling	Hydraulic Fracturing	Oilfield Rentals	Former Oilfield Trucking	Other Operations	Intercompany Eliminations	Consolidated Total
				(in thousands)			
For The Year Ended December 31, 2013:							
Revenues	$ 745,800	$ 897,809	$ 161,676	$ 250,495	$ 165,500	$ (33,075)	$ 2,188,205
Intersegment revenues	(4,988)		(1,435)	(6,115)	(20,537)	33,075	
Total revenues	$ 740,812	$ 897,809	$ 160,241	$ 244,380	$ 144,963	$	$ 2,188,205
Depreciation and amortization	133,785	69,507	59,559	25,870	870		289,591
Losses (gains) on sales of property and equipment, net	663		(1,146)	(2,249)	103		(2,629)
Impairments and other(a)	71,548		1		3,213		74,762
Interest expense					(56,786)		(56,786)
Loss and impairment from equity investees		159		(1,117)			(958)
Other (expense) income	(231)	254	1,129	184	422		1,758
(Loss) income Before Income Taxes	$ (26,360)	$ 67,224	$ (2,544)	$ 5,555	$ (71,443)	$	$ (27,568)
Total Assets	$ 1,134,026	$ 454,559	$ 184,285	$ 204,386	$ 44,384	$ (5,795)	$ 2,015,845
Capital Expenditures	$ 284,354	$ 41,286	$ 16,925	$ 3,712	$ 3,529	$	$ 349,806

(a) Includes lease termination costs of $9.7 million and $22.4 million for the years ended December 31, 2014 and 2013, respectively.

16. Condensed Consolidating Financial Information

In October 2011, we issued and sold the 2019 Senior Notes with an aggregate principal amount of $650.0 million (see Note 6). In connection with the spin-off, COO transferred all of its assets, operations, and liabilities, including the 2019 Notes, to SSO, which has been reflected retrospectively in the consolidating financial information. Pursuant to the Indenture governing the 2019 Notes, such notes are fully and unconditionally and jointly and severally guaranteed by SSO s parent, SSE, and all of SSO s material subsidiaries, other than SSF, which is a co-issuer of the 2019 Notes. Each of the subsidiary guarantors is 100% owned by SSO and there are no material subsidiaries of SSO other than the subsidiary guarantors. SSF and Western Wisconsin Sand Company, LLC are minor non-guarantor subsidiaries whose condensed consolidating financial information is included with the subsidiary guarantors. SSE and SSO have independent assets and operations. There are no significant restrictions on the ability of SSO or any subsidiary guarantor to obtain funds from its subsidiaries by dividend or loan.

Set forth below are condensed consolidating financial statements for SSE (Parent) and SSO (Subsidiary Issuer) on a stand-alone, unconsolidated basis, and its combined guarantor subsidiaries as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013. The financial information may not necessarily be indicative of results of operations, cash flows or financial position had the subsidiaries operated as independent entities.

Table of Contents

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 2015

(in thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Eliminations	Consolidated
Assets:					
Current Assets:					
Cash	$ 46	$ 130,602	$	$	$ 130,648
Accounts receivable		138	164,583		164,721
Inventory			18,553		18,553
Deferred income tax asset		376	1,123		1,499
Prepaid expenses and other	20	37,523	9,324	(29,726)	17,141
Total Current Assets	66	168,639	193,583	(29,726)	332,562
Property and Equipment:					
Property and equipment, at cost		31,265	2,615,181		2,646,446
Less: accumulated depreciation		(4,958)	(1,111,068)		(1,116,026)
Total Property and Equipment, Net		26,307	1,504,113		1,530,420
Other Assets:					
Deferred financing costs, net		1,238			1,238
Other long-term assets	2,575	114,087	10,901	(89,165)	38,398
Investments in subsidiaries and intercompany advances	575,089	1,415,997		(1,991,086)	
Total Other Assets	577,664	1,531,322	10,901	(2,080,251)	39,636
Total Assets	$ 577,730	$ 1,726,268	$ 1,708,597	$ (2,109,977)	$ 1,902,618
Liabilities and Equity:					
Current Liabilities:					
Accounts payable	$ 58	$ 517	$ 53,192	$	$ 53,767
Current portion of long-term debt		5,000			5,000
Other current liabilities	14,131	25,276	88,637	(29,726)	98,318

Total Current Liabilities	14,189	30,793	141,829	(29,726)	157,085
Long-Term Liabilities:					
Deferred income tax liabilities			149,788	(89,165)	60,623
Long-term debt, less current maturities	444,701	1,119,891			1,564,592
Other long-term liabilities		495	983		1,478
Total Long-Term Liabilities	444,701	1,120,386	150,771	(89,165)	1,626,693
Total Equity	118,840	575,089	1,415,997	(1,991,086)	118,840
Total Liabilities and Equity	$ 577,730	$ 1,726,268	$ 1,708,597	$ (2,109,977)	$ 1,902,618

Table of Contents

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 2014

(in thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Eliminations	Consolidated
Assets:					
Current Assets:					
Cash	$ 77	$ 733	$ 81	$	$ 891
Accounts receivable		4	421,551		421,555
Inventory			25,073		25,073
Deferred income tax asset		2,091	6,029	(657)	7,463
Prepaid expenses and other		5,309	13,763		19,072
Total Current Assets	77	8,137	466,497	(657)	474,054
Property and Equipment:					
Property and equipment, at cost		22,397	2,727,489		2,749,886
Less: accumulated depreciation		(643)	(982,190)		(982,833)
Total Property and Equipment, Net		21,754	1,745,299		1,767,053
Other Assets:					
Equity method investment			7,816		7,816
Goodwill			27,434		27,434
Intangible assets, net			5,420		5,420
Deferred financing costs, net		1,592			1,592
Other long-term assets		38,950	5,731	(37,757)	6,924
Investments in subsidiaries and intercompany advances	803,383	1,853,480		(2,656,863)	
Total Other Assets	803,383	1,894,022	46,401	(2,694,620)	49,186
Total Assets	$ 803,460	$ 1,923,913	$ 2,258,197	$ (2,695,277)	$ 2,290,293
Liabilities and Equity:					
Current Liabilities:					
Accounts payable	$	$ 6,579	$ 39,078	$	$ 45,657

Current portion of long-term debt		4,000			4,000
Other current liabilities	18,032	29,776	168,601	(657)	215,752
Total Current Liabilities	18,032	40,355	207,679	(657)	265,409
Long-Term Liabilities:					
Deferred income tax liabilities	1,145		195,885	(37,757)	159,273
Long-term debt	493,260	1,078,981			1,572,241
Other long-term liabilities		1,194	1,153		2,347
Total Long-Term Liabilities	494,405	1,080,175	197,038	(37,757)	1,733,861
Total Equity	291,023	803,383	1,853,480	(2,656,863)	291,023
Total Liabilities and Equity	$ 803,460	$ 1,923,913	$ 2,258,197	$ (2,695,277)	$ 2,290,293

Table of Contents

SEVENTY SEVEN ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2015

(in thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Eliminations	Consolidated
Revenues:					
Revenues	$	$ 3	$ 1,135,347	$ (4,106)	$ 1,131,244
Operating Expenses:					
Operating costs			855,870		855,870
Depreciation and amortization		4,152	291,269		295,421
General and administrative	50	37,705	78,492	(4,106)	112,141
Loss on sale of a business		35,027			35,027
(Gains) losses on sales of property and equipment, net		(229)	14,885		14,656
Impairment of goodwill			27,434		27,434
Impairments and other			18,632		18,632
Total Operating Expenses	50	76,655	1,286,582	(4,106)	1,359,181
Operating Loss	(50)	(76,652)	(151,235)		(227,937)
Other (Expense) Income:					
Interest expense	(31,626)	(67,641)			(99,267)
Gains on early extinguishment of debt	18,061				18,061
Loss and impairment from equity investee			(7,928)		(7,928)
Other income		771	2,281		3,052
Equity in net earnings of subsidiary	(212,094)	(115,690)		327,784	
Total Other Expense	(225,659)	(182,560)	(5,647)	327,784	(86,082)
Loss Before Income Taxes					