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

Form 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File No. 001-35912

EMERGE ENERGY SERVICES LP

(Exact name of registrant as specified in its charter)

Delaware	**90-0832937**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6000 Western Place, Suite 465, Fort Worth, Texas 76107	**(817) 618-4020**
(Address of principal executive offices)	(Registrant's telephone number, including area code)

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

Title of Each Class	Name of Each Exchange On Which Registered
Common Units Representing Limited Partner Interests	New York Stock Exchange

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes o No

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 o	Accelerated Filer x
Non-Accelerated Filer o	Smaller Reporting Company o
	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o Yes o No

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

As of July 28, 2017, 30,150,782 common units were outstanding.

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FORWARD-LOOKING STATEMENTS

Certain statements and information in this Quarterly Report on Form 10-Q may constitute "forward-looking statements." The words "believe," "expect," "anticipate," "plan," "intend," "foresee," "should," "would," "could" or other similar expressions are intended to identify forward-looking statements, which are generally not historical in nature. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effect on us. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. All comments concerning our expectations for future revenues and operating results are based on our forecasts for our existing operations and do not include the potential impact of any future acquisitions. Our forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, those summarized below:

- failure to secure or maintain contracts with our largest customers, or non-performance of any of those customers under the applicable contract;
- competitive conditions in our industry;
- the amount of frac sand we are able to excavate and process, which could be adversely affected by, among other things, operating difficulties and unusual or unfavorable geologic conditions;
- the volume of frac sand we are able to sell;
- the price at which we are able to sell frac sand;
- changes in the long-term supply of and demand for oil and natural gas;
- volatility of fuel prices;
- unanticipated ground, grade or water conditions at our sand mines;
- actions taken by our customers, competitors and third-party operators;
- our ability to complete growth projects on time and on budget;
- our ability to realize the expected benefits from recent acquisitions;
- increasing costs and minimum contractual obligations relating to our transportation services and infrastructure;
- inclement or hazardous weather conditions, including flooding, and the physical impacts of climate change;
- environmental hazards;
- industrial accidents;
- changes in laws and regulations (or the interpretation thereof) related to the mining and hydraulic fracturing industries, silica dust exposure or the environment;
- inability to acquire or maintain necessary permits or mining or water rights;
- facility shutdowns in response to environmental regulatory actions;
- inability to obtain necessary production equipment or replacement parts;
- reduction in the amount of water available for processing;
- technical difficulties or failures;
- labor disputes and disputes with our excavation contractor;
- late delivery of supplies;
- difficulty collecting receivables;
- inability of our customers to take delivery of our products;
- changes in the price and availability of transportation;
- fires, explosions or other accidents;
- pit wall failures or rock falls;
- the effects of future litigation; and
- other factors discussed in this Quarterly Report on Form 10-Q and the detailed factors discussed under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016.

When considering forward-looking statements, you should keep in mind the known material risk factors and other cautionary statements set forth in our Annual Report on Form 10-K for the year ended December 31, 2016 in "Risk Factors" and in this Form 10-Q in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors." Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

EMERGE ENERGY SERVICES LP
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
($ in thousands, except unit data)

	June 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 189	$ 4
Trade and other receivables, net	42,539	25,103
Inventories	21,273	17,457
Prepaid expenses and other current assets	6,970	11,374
Total current assets	70,971	53,938
Property, plant and equipment, net	181,445	165,484
Intangible assets, net	3,223	4,781
Other assets, net	25,209	25,330
Non-current assets held for sale	202	371
Total assets	$ 281,050	$ 249,904
LIABILITIES AND PARTNERS’ EQUITY		
Current liabilities:		
Accounts payable	$ 25,599	$ 11,221
Accrued liabilities	13,976	11,629
Total current liabilities	39,575	22,850
Long-term debt, net of current portion	168,690	134,012
Business acquisition obligation, net of current portion	6,303	8,063
Other long-term liabilities	28,680	30,323
Total liabilities	243,248	195,248
Commitments and contingencies		
Preferred units - Series A - Par value of $1,000: 0 units and 10,000 units issued and outstanding as of June 30, 2017 and December 31, 2016, respectively	—	6,914
Partners’ equity:		
General partner	—	—
Limited partner common units - 30,147,725 units and 29,076,456 units issued and outstanding as of June 30, 2017 and December 31, 2016, respectively	37,802	47,742
Total partners’ equity	37,802	47,742
Total liabilities and partners’ equity	$ 281,050	$ 249,904

See accompanying notes to unaudited condensed consolidated financial statements.

EMERGE ENERGY SERVICES LP
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
($ in thousands, except unit and per unit data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues	$ 82,602	$ 24,825	$ 157,946	$ 54,495
Operating expenses:				
Cost of goods sold (excluding depreciation, depletion and amortization)	71,428	38,354	143,739	82,144
Depreciation, depletion and amortization	5,675	4,870	10,331	9,777
Selling, general and administrative expenses	6,850	4,459	12,728	11,234
Contract and project terminations	—	10	—	4,036
Total operating expenses	83,953	47,693	166,798	107,191
Operating income (loss)	(1,351)	(22,868)	(8,852)	(52,696)
Other expense (income):				
Interest expense, net	5,082	5,283	8,280	9,877
Other	(3,008)	(2)	(2,317)	(3)
Total other expense	2,074	5,281	5,963	9,874
Income (loss) from continuing operations before provision for income taxes	(3,425)	(28,149)	(14,815)	(62,570)
Provision (benefit) for income taxes	—	1	—	21
Net income (loss) from continuing operations	(3,425)	(28,150)	(14,815)	(62,591)
Income (loss) from discontinued operations, net of taxes	(2,657)	5,253	(2,657)	5,479
Net income (loss)	$ (6,082)	$ (22,897)	$ (17,472)	$ (57,112)
Basic and diluted earnings (loss) per unit (1):				
Earnings (loss) per common unit from continuing operations	$ (0.11)	$ (1.17)	$ (0.49)	$ (2.59)
Earnings (loss) per common unit from discontinued operations	(0.09)	0.22	(0.09)	0.23
Basic and diluted earnings (loss) per common unit	$ (0.20)	$ (0.95)	$ (0.58)	$ (2.36)
Weighted average number of common units outstanding - basic and diluted (1)	30,147,725	24,129,418	30,104,613	24,125,320

(1) See Note 9.

See accompanying notes to unaudited condensed consolidated financial statements.

EMERGE ENERGY SERVICES LP
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PREFERRED UNITS AND PARTNERS' EQUITY
($ in thousands)

	Limited Partner Common Units	General Partner (non-economic interest)	Total Partners' Equity	Preferred Units
Balance at December 31, 2016	$ 47,742	$ —	$ 47,742	$ 6,914
Net loss	(17,472)	—	(17,472)	—
Equity-based compensation	677	—	677	—
Conversion of preferred units	6,914	—	6,914	(6,914)
Other	(59)	—	(59)	—
Balance at June 30, 2017	$ 37,802	$ —	$ 37,802	$ —

See accompanying notes to unaudited condensed consolidated financial statements.

EMERGE ENERGY SERVICES LP
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
($ in thousands)

	Six Months Ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net income (loss)	$ (17,472)	$ (57,112)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation, depletion and amortization	10,331	12,131
Equity-based compensation expense	677	136
Project and contract termination costs - non-cash portion	—	4,011
Unrealized gain on fair value of warrant	(2,312)	—
Write-down of escrow receivable	2,657	—
Provision for doubtful accounts	—	1,746
Loss (gain) on disposal of assets	79	76
Amortization of debt discount/premium and deferred financing costs	1,835	1,506
Write-down of inventory	—	5,394
Unrealized (gain) loss on derivative instruments	(214)	665
Other non-cash	58	59
Changes in operating assets and liabilities:		
Accounts receivable	(17,437)	6,845
Inventories	(3,816)	8,135
Prepaid expenses and other current assets	1,748	1,643
Accounts payable and accrued liabilities	16,573	1,560
Other assets	120	173
Cash flows from operating activities:	(7,173)	(13,032)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(3,403)	(11,010)
Net proceeds from disposal of assets	211	(9)
Asset acquisition	(20,430)	—
Collection of notes receivable	—	7
Cash flows from investing activities:	(23,622)	(11,012)
Cash flows from financing activities:		
Proceeds from line of credit borrowings	154,820	141,345
Proceeds from second lien term loan	39,597	—
Repayment of line of credit borrowings	(158,593)	(130,451)
Payment of business acquisition obligation	(1,799)	(382)
Payment of financing costs	(2,982)	(4,177)
Other financing activities	(63)	(3)
Cash flows from financing activities:	30,980	6,332
Cash and cash equivalents:		
Net increase (decrease)	185	(17,712)
Balance at beginning of period	4	20,870
Balance at end of period	$ 189	$ 3,158

See accompanying notes to unaudited condensed consolidated financial statements.

EMERGE ENERGY SERVICES LP
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

Emerge Energy Services LP ("Emerge") is a Delaware limited partnership that completed its initial public offering ("IPO") on May 14, 2013 to become a publicly traded partnership. The combined entities of Superior Silica Sands LLC ("SSS"), a Texas limited liability company and Emerge Energy Services Operating LLC ("Emerge Operating"), a Delaware limited liability company, represent Emerge.

References to the "Partnership," "we," "our" or "us" refer collectively to Emerge and all of its subsidiaries.

We are a growth-oriented energy services company engaged in the business of mining, producing, and distributing silica sand that is a key input for the hydraulic fracturing of oil and gas wells. The Sand business conducts mining and processing operations from facilities located in Wisconsin and Texas. In addition to mining and processing silica sand for the oil and gas industry, the Sand business sells its product for use in building products and foundry operations.

The Fuel business operated transmix processing facilities located in the Dallas-Fort Worth area and in Birmingham, Alabama. The Fuel business also offered third-party bulk motor fuel storage and terminal services, biodiesel refining, sale and distribution of wholesale motor fuels, reclamation services (which consists primarily of cleaning bulk storage tanks used by other petroleum terminal and others) and blending of renewable fuels.

On August 31, 2016, we completed the sale of our Fuel business pursuant to an Amended and Restated Purchase and Sale Agreement, dated August 31, 2016 (the "Restated Purchase Agreement"), with Susser Petroleum Operating Company LLC and Sunoco LP (together, "Sunoco"). Sunoco paid Emerge a purchase price of $167.7 million in cash (subject to certain working capital and other adjustments in accordance with the terms of the Restated Purchase Agreement), of which $14.25 million was placed into several escrow accounts to satisfy potential claims from Sunoco for indemnification under the Restated Purchase Agreement. During the second quarter of 2017, we received the entire $2.25 million of the Renewable Fuel Standard escrow. Additionally, we wrote off $2.7 million of the hydrotreator and pipeline escrow receivables relating to completion delays and cost overruns. Any escrowed funds remaining after certain periods of time set forth in the Restated Purchase Agreement will be released to Emerge, provided that no unsatisfied indemnity claims exist at such time.

The results of operations of the Fuel business have been classified as discontinued operations for all periods presented. We now operate our continuing business in a single sand segment. We report silica sand operations as our continuing operations and fuel operations as our discontinued operations.

Basis of Presentation and Consolidation

The accompanying unaudited condensed consolidated financial statements were prepared using generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Regulation S-X. Accordingly, these financial statements do not include all information or notes required by generally accepted accounting principles for annual financial statements and should be read together with our 2016 Annual Report on Form 10-K. These financial statements include the accounts of all of our subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. In the opinion of management, all adjustments and disclosures necessary for a fair presentation of these interim statements have been included.

Reclassifications

Certain reclassifications have been made to prior period amounts to conform to the current period presentation. These reclassifications do not impact net income and do not reflect a material change in the information previously presented in our Condensed Consolidated Statements of Operations.

2. ASSET ACQUISITION

On April 12, 2017, we closed the transaction to acquire substantially all of the assets of Materials Holding Company, Inc., Osburn Materials, Inc., Osburn Sand Co. and South Lehr, Inc. (collectively "Osburn Materials") for $20 million. The transaction was funded with a new $40 million term loan. Osburn Materials is located approximately 25 miles south of San Antonio, Texas and produces and sells sand and construction materials but did not serve the energy markets. We upgraded the existing operations for conversion into frac sand sales and commenced frac sand productin in July 2017. Osburn Materials' current sand reserves, which consists mostly of 40/70 and 100 mesh fine sands, meets American Petroleum Institute ("API") specifications for all grades.

We early adopted the provisions of ASC 805, Business Combinations and Accounting Standards Update ("ASU") 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, in accounting for this transaction. Under this guidance, if substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets, the transaction can be accounted for as an asset purchase. Based on our analysis of the transaction, we believe that substantially all of the fair value is concentrated in the sand reserves acquired, and thus we accounted for the transaction as an asset purchase.

Significant judgment is often required in estimating the fair values of assets acquired. We engaged a third-party valuation specialist in estimating fair values of the assets acquired. We used our best estimates and assumptions to allocate the cost of the acquisition to the assets acquired on a relative fair value basis at the acquisition date. The preliminary fair value estimates are based on available historical information and on expectations and assumptions about the future production and sales volumes, market demands, the average selling price of sand, and the discount factor used in estimating future cash flows. While we believe those expectations and assumptions are reasonable, they are inherently uncertain. Additionally, we are finalizing the sand reserves estimates. Transaction costs of $434,000 incurred for the acquisition are capitalized as a component of the cost of the assets acquired.

The assets acquired have been included in our consolidated balance sheets as of June 30, 2017 and will be depreciated and depleted according to the policies described in our Annual Report on Form 10-K for the year ended December 31, 2016.

3. DISCONTINUED OPERATIONS

At March 31, 2016, the assets and liabilities of our Fuel business were classified as held for sale and the results of operations have been classified as discontinued operations for all periods presented in accordance with ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.*

The following corporate costs were allocated to discontinued operations for all periods presented:

- Interest on the revolver was allocated to the discontinued operations based on the allocation of debt between Sand and Fuel business.
- Equity-based compensation costs recognized for the Fuel business employees were allocated to discontinued operations.
- The taxes paid on behalf of the Fuel business were compiled by review of prior tax filings and payments. These amounts were allocated to discontinued operations.
- General corporate overhead costs were not allocated to discontinued operations.

Summarized results of the discontinued operations for the three and six months ended June 30, 2017 and 2016 are as follows :

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	($ in thousands)			
Revenues (1)	$ —	$ 101,982	$ —	$ 182,463
Cost of goods sold (excluding depreciation, depletion and amortization) (1)	—	93,844	—	169,544
Depreciation and amortization	—	—	—	2,354
Selling, general and administrative expenses	—	2,194	—	3,792
Interest expense, net	—	686	—	1,283
Other expenses	2,657	—	2,657	—
Income from discontinued operations before provision for income taxes	(2,657)	5,258	(2,657)	5,490
Provision for income taxes	—	5	—	11
Income from discontinued operations, net of taxes	$ (2,657)	$ 5,253	$ (2,657)	$ 5,479
(1) Fuel revenues and cost of goods sold include excise taxes and similar taxes:	$ —	$ 13,405	$ —	$ 26,488

On August 31, 2016, we completed the sale of our Fuel business pursuant to the terms of the Restated Purchase Agreement. The purchase price was $167.7 million, subject to adjustment based on actual working capital conveyed at closing. The following escrow accounts were established at closing:

- $7 million of the sales price was withheld as a general escrow associated with certain indemnification obligations. Any unutilized escrow balance, plus any accrued interest thereon, will be paid 54 months from the closing date.
- $4 million of the sales price was withheld as a hydrotreater escrow to satisfy any cost overruns of the Birmingham hydrotreater completion. In June 2017, we wrote off a $2.5 million of this receivable relating to hydrotreator completion delays and cost overruns. This non-cash charge is included in Other expenses in our results of discontinued operations. Any unutilized escrow balance, along with any accrued interest thereon, will be paid 60 days after the substantial completion of the Birmingham hydrotreater.
- $2.25 million of the sales price was withheld as the Renewable Fuel Standard escrow account. The entire amount, along with interest thereon, was collected in April 2017.
- $1 million of the sales price was withheld as a pipeline escrow account. As of June 30, 2017, we estimated our receivable at $850,000. This non-cash charge is included in Other expenses in our results of discontinued operations Any unutilized escrow balance, along with any accrued interest thereon, will be released with the general escrow.

Escrow receivables are recorded at the net present values of estimated future recoveries and will be adjusted as contingencies are resolved.

The following table represents the gain on sale from the Fuel business recognized in the third quarter of 2016 (in thousands).

Purchase price	$	167,736
Adjustments:		
Working capital true-up		3,398
Other adjustments		(2,911)
General escrow		(7,000)
Hydrotreater escrow		(4,000)
Other escrow		(3,250)
Net proceeds		153,973
Less:		
Net book value of assets and liabilities sold		(125,317)
Escrow receivable		10,597
Transaction costs including commissions		(7,679)
Other receivables		125
Gain on sale of Fuel business	$	31,699

4. OTHER FINANCIAL DATA

Private Placement

On August 8, 2016, we entered into the Purchase Agreement with the Purchaser to issue and sell to the Purchaser in a private placement an aggregate principal amount of $20 million of our Series A Preferred Units and a Warrant that may be exercised to purchase common units representing limited partner interests in the Partnership.

The first half of the Preferred Units converted into 993,049 common units on November 3, 2016 and the second half converted to 985,222 common units on February 15, 2017.

We also issued to the Purchaser a warrant to purchase approximately 890,000 common units at an exercise price of $10.82 per common unit. The Warrant, which expires on August 16, 2022, was exercisable immediately upon issuance and contains a cashless exercise provision and other customary provisions and protections, including anti-dilution protections. This warrant is classified as a liability in accordance with ASC 480, *Distinguishing Liabilities from Equity,* and is included in Other long-term liabilities on our Condensed Consolidated Balance Sheets. This warrant has not been exercised as of June 30, 2017.

Public Offering

In November 2016, we completed a public offering of 3,400,000 of our common units at a price of $10.00 per unit and granted the underwriters an option to purchase up to an additional 510,000 common units, which the underwriter exercised in full. The offering closed on November 23, 2016. We received proceeds (net of underwriting discounts and offering expenses) from the offering of approximately $36.9 million. The net proceeds from this offering were used to repay outstanding borrowings under our revolving Credit Agreement.

Allowance for Doubtful Accounts

We had no allowance for doubtful accounts at June 30, 2017. The allowance for doubtful accounts totaled $3.1 million at December 31, 2016.

Inventories

Inventories consisted of the following:

	June 30, 2017	December 31, 2016
	($ in thousands)	
Sand finished goods	$ 11,777	$ 9,631
Sand work in process	9,220	7,597
Sand raw materials and supplies	276	229
Total	$ 21,273	$ 17,457

During the first quarter of 2016, we wrote down $5.4 million of our sand inventory based on our lower of cost or market analysis. We attributed this write-down to declining market conditions and a significant decline in prices.

Prepaid expenses and other current assets

Prepaid expenses and other current assets consisted of the following:

	June 30, 2017	December 31, 2016
	($ in thousands)	
Prepaid lease assets, current	$ 2,577	$ 3,408
Prepaid insurance	968	826
Escrow receivable, current	468	5,253
Other	2,957	1,887
Total	$ 6,970	$ 11,374

Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	June 30, 2017	December 31, 2016
	($ in thousands)	
Machinery and equipment (1)	$ 92,849	$ 90,035
Buildings and improvements (1)	66,190	66,190
Land and improvements (1)	45,567	45,065
Mineral reserves	49,091	30,181
Construction in progress	4,272	1,878
Capitalized reclamation costs	2,521	2,445
Total cost	260,490	235,794
Accumulated depreciation and depletion	79,045	70,310
Net property, plant and equipment	$ 181,445	$ 165,484

(1) Includes assets under capital lease

We classified $202,000 and $371,000 to assets held for sale as of June 30, 2017 and December 31, 2016.

We recognized $8.8 million and $9.1 million of depreciation and depletion expense for the six months ended June 30, 2017 and 2016, respectively. Depreciation and depletion expense for continuing operations totaled $8.3 million for the six months ended June 30, 2016.

Intangible Assets

Our intangible assets consisted of the following:

	Cost	Accumulated Amortization	Net
		($ in thousands)	
June 30, 2017:			
Patents	$ 7,443	$ 4,691	$ 2,752
Supply and transportation agreements	569	169	400
Non-compete agreement	100	29	71
Total	$ 8,112	$ 4,889	$ 3,223
December 31, 2016:			
Patents	$ 7,443	$ 3,195	$ 4,248
Supply and transportation agreements	569	112	457
Non-compete agreement	100	24	76
Total	$ 8,112	$ 3,331	$ 4,781

We recognized $1.6 million and $3.0 million of amortization expense for the six months ended June 30, 2017 and 2016, respectively. Amortization expense for continuing operations totaled $1.5 million for the six months ended June 30, 2016.

Other Assets, Net

Other assets, net consisted of the following:

	June 30, 2017	December 31, 2016
	($ in thousands)	
Deferred lease asset (1)	$ 8,801	$ 8,826
Prepaid lease assets, net of current portion (2)	8,450	8,616
Escrow receivable, non-current (3)	5,510	5,459
Other	2,448	2,429
Total	$ 25,209	$ 25,330

(1) During 2016, we completed negotiations with various railcar lessors pursuant to which we terminated future orders of railcars, deferred future railcar deliveries and reduced and deferred payments on existing leases. The cost of deferring future railcar deliveries was recorded as a deferred lease asset. This asset will be amortized over the terms of the associated leases as those railcars enter service.

(2) The cost to transport leased railcars from the manufacturer to our site for initial placement in service is capitalized and amortized over the term of the lease (typically five to seven years). This balance reflects the non-current portion of these capitalized costs.

(3) Non-current receivables are recorded at net present value of estimated recoveries and will be adjusted as contingencies are resolved. See Note 3 - Discontinued Operations.

Accrued Liabilities

Accrued liabilities consisted of the following:

	June 30, 2017	December 31, 2016
	($ in thousands)	
Sand purchases and royalties	$ 3,430	$ 517
Fuel sale related-liabilities	2,474	2,784
Salaries and other employee-related	2,250	710
Current portion of business acquisition obligations	1,666	1,703
Deferred compensation	848	848
Sales, excise, property and income taxes	730	136
Accrued interest	430	641
Current portion of contract termination	210	160
Logistics	204	1,814
Other	1,734	2,316
Total	$ 13,976	$ 11,629

Other Long-term Liabilities

Other long-term liabilities consisted of the following:

	June 30, 2017	December 31, 2016
	($ in thousands)	
Long-term promissory note	$ 8,914	$ 8,480
Deferred lease obligation (1)	6,992	5,858
Contract and project terminations	5,305	5,319
Stock warrants	4,707	7,019
Asset retirement obligation	2,762	2,647
Other	—	1,000
Total	$ 28,680	$ 30,323

(1) We recognize lease expense for operating leases on a straight-line basis over the term of the lease, beginning on the date we take possession of the property. The difference between the cash paid to the lessor and the amount recognized as lease expense on a straight-line basis is included in deferred lease obligation.

Long-term Promissory Note

During the second quarter of 2016, we negotiated significant concessions on the majority of our railcar leases pursuant to which we cancelled or deferred deliveries on rail cars and reduced cash payments on a substantial portion of the existing rail cars in our fleets. In exchange of these concessions, we issued at par an Unsecured Promissory Note in the aggregate principal amount of $8 million (the “PIK Note”) for delivery deferrals. The PIK Note bears interest at a rate of 10% per annum payable in cash or, in certain situations, in-kind, when certain financial metrics have been met. The PIK Note will mature on June 2, 2020. We also issued warrants to purchase 370,000 common units representing limited partnership interests in the Partnership in exchange of these concessions during the second quarter of 2016.

Contract and Project Terminations

During 2016, we negotiated concessions on the majority of our railcar leases pursuant to which we cancelled or deferred deliveries on rail cars and reduced cash payments on a substantial portion of the existing rail cars in our fleets. In exchange for these concessions, we incurred a contract termination charge of $4 million. We issued at par an Unsecured Promissory Note in the aggregate principal amount of $4 million with interest payable in cash or, in certain situations, in-kind, when certain financial metrics have been met. This note bears interest at a rate of five percent per annum and is due and payable within 30 days following the date on which financial statements are publicly available covering the first date on which these financial metrics have been met.

The following table illustrates the various contract termination liabilities and exit and disposal reserves included in Accrued liabilities and Other long-term liabilities in our Condensed Consolidated Balance Sheets:

		($ in thousands)
Balance at December 31, 2016	$	5,479
Accretion		121
Payments		(85)
Balance at June 30, 2017	$	5,515

Mining and Wet Sand Processing Agreement

In April 2014, a five-year contract with a sand processor (“Processor”) became effective to support our Sand business in Wisconsin. In January 2015, the agreement was amended and extended to expire in December 31, 2021. Under this contract, the Processor financed and built a wet wash processing plant near our Wisconsin operations. As part of the agreement, the Processor wet washes our sand, creates stockpiles of washed sand and maintains the plant and equipment. During the term of the agreement the Processor will own the wet plant along with the equipment and other temporary structures used to support this activity. At the end of the agreement, or following a default under the contract by the Processor, we have the right to take ownership of the wet plant and other equipment without charge. Subject to certain conditions, ownership of the plant and equipment will transfer to us at the expiration of the term. We accounted for the wet plant as a capital lease obligation. The original capitalized lease asset and corresponding capital lease obligation totaled $3.3 million. As of June 30, 2017, we do not have any liability for capital lease obligation.

Fair Value Measurements

Our financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable and debt instruments. The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable are representative of their fair values due to their short maturities. The carrying amounts of our revolving credit facility approximates fair value because the underlying instrument includes provisions that adjust our interest rates based on current market rates. The fair values of our other long-term liabilities are not materially different from their carrying values.

On June 2, 2016, we issued warrants to lessors to purchase 370,000 common units representing limited partnership interests in the partnership for concessions on various long-term leases. These warrants may be exercised at any time and from time to time during next five years, at an exercise price per common unit equal to $4.77. These fair value of these warrants was calculated at $2.45 per unit based on a Black Scholes valuation model, utilizing Level 2 inputs based on the hierarchy established in ASC 820, *Fair Value Measurement.*

On August 8, 2016, we, as part of the private placement described above, also issued a warrant to the Purchaser to purchase approximately 890,000 common units at an exercise price of $10.82 per common unit. This Warrant shall be exercisable for a period of six years from the closing date and include customary provisions and protections, including anti-dilution protections. The fair value of this warrant at issuance date was calculated at $5.56 per unit based on a Black Scholes valuation model, utilizing Level 2 inputs based on the hierarchy established in ASC 820, *Fair Value Measurement.* This liability is marked to market each quarter with fair value gains and losses recognized immediately in earnings and included in Other income (expense) on our Consolidated Statements of Operations. The warrant liability was $4.7 million and $7.0 million at June 30, 2017 and December 31, 2016, respectively, and we recorded a gain of $3.0 million and $2.3 million during the three and six months ended June 30, 2017, respectively.

Retirement Plan

We sponsor a 401(k) plan for substantially all employees that provides for us to match 100% of participant contributions up to 5% of the participant’s pay. Additionally, we can make discretionary contributions as deemed appropriate by management.

As of May 1, 2017, we reestablished the employer 401(k) contributions, which was previously suspended on July 1, 2016. Employer contributions to these plans for continuing operations totaled $105,045 and $177,000 for the six months ended June 30, 2017 and 2016, respectively. Employer contributions for discontinued operations was $118,000 for the six months ended June 30, 2016.

Seasonality

Winter weather affects the months during which we can wash and wet-process sand in Wisconsin. Seasonality is not a significant factor in determining our ability to supply sand to our customers because we accumulate a stockpile of wet sand feedstock during non-winter months. During the winter, we process the stockpiled sand to meet customer requirements. However, we sell sand for use in oil and natural gas production basins where severe weather conditions may curtail drilling activities. This is particularly true in drilling areas located in the northern U.S. and western Canada. If severe winter weather precludes drilling activities, our frac sand sales volume may be adversely affected. Generally, severe weather episodes affect production in the first quarter with effects possibly continuing into the second quarter.

Concentration of Credit Risk

We provide credit, in the normal course of business, to customers located throughout the United States and Canada. We encounter a certain amount of credit risk as a result of a concentration of receivables among a few significant customers. We perform ongoing credit evaluations of our customers and generally do not require collateral. The trade receivables (as a percentage of total trade receivables) as of June 30, 2017 and December 31, 2016 from such significant customers are set forth below:

	June 30, 2017	December 31, 2016
Customer A	16%	16%
Customer B	14%	22%
Customer C	14%	*
Customer D	12%	13%

An asterisk indicates trade receivables are less than ten percent.

Significant customers

The table shows the % of revenue our significant customers for our continuing operations represented for the six months ended June 30, 2017 and 2016.

	June 30, 2017	June 30, 2016
Customer B	26%	35%
Customer D	16%	*
Customer E	*	16%

An asterisk indicates revenue is less than ten percent.

Geographical Data

Although we own no long-term assets outside the United States, our Sand business began selling product in Canada during 2013. We recognized $7.8 million and $8.0 million of revenues in Canada for the six months ended June 30, 2017 and 2016, respectively. All other sales have occurred in the United States.

Recent Accounting Pronouncements

In May 2014, August 2015 and May 2016, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, ASU 2015-14, *Revenue from Contracts with Customers, Deferral of the Effective Date*, and ASU 2016-12, *Revenue from Contracts with Customers, Narrow-Scope Improvements and Practical Expedients*, respectively, as a new Topic, Accounting Standards Codification Topic 606. The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It also requires entities to disclose both quantitative and qualitative information that enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This guidance is effective for annual periods beginning after December 15, 2017 with early adoption permitted on January 1, 2017 and shall be applied retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. We have certain contractual arrangements that include "take-or-pay" provisions. The fixed fees to which we have an unconditional right under these contracts could be subject to certain recognition changes and additional disclosure under ASU 2014-09. As we are in the process of evaluating the impact of the standard, we have not yet quantified the impact of adoption or determined the method of adoption. During 2017, we will perform the remainder of our implementation process, which will include quantification of impact, selection of adoption method and development of policies. We will adopt this guidance in the first quarter of 2018.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This ASU requires lessees to recognize lease assets and lease liabilities generated by contracts longer than a year on their balance sheet. The ASU also requires companies to disclose in the footnotes to their financial statements information about the amount, timing, and uncertainty for the payments they make for the lease agreements. ASU 2016-02 is effective for public companies for annual periods and interim periods within those annual periods beginning after December 31, 2018. Early adoption is permitted for all entities. We currently have significant long-term operating leases for rail cars and transload facilities. Pursuant to the adoption, we will record substantial liabilities and corresponding assets for these leases. While we are not yet in a position to assess the full impact of the application of this ASU, we expect that the impact of recording the lease liabilities and the corresponding additional assets will have a significant impact on our financial position and results of operations and related disclosures in the notes to our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations*. This ASU provides guidance to entities to assist with evaluating when a set of transferred assets and activities (collectively, the "set") is a business and provides a screen to determine when a set is not a business. Under this ASU, when substantially all of the fair value of gross assets acquired (or disposed of) is concentrated in a single identifiable asset, or group of similar assets, the assets acquired would not represent a business. Also, to be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to produce outputs. ASU 2017-01 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, and should be applied on a prospective basis to any transactions occurring within the period of adoption. Early adoption is permitted for interim or annual periods in which the financial statements have not been issued. We adopted this guidance in the second quarter of 2017 and applied it to our asset acquisition described in Note 2 - Asset Acquisition.

5. LONG-TERM DEBT

Following is a summary of our long-term debt:

	June 30, 2017	December 31, 2016
	($ in thousands)	
Revolving credit facility	$ 136,928	$ 140,701
Second lien term loan	40,000	—
Less: Deferred financing costs, net	(8,238)	(6,689)
Total long-term debt	$ 168,690	$ 134,012

Revolving Credit Facility

On June 27, 2014, we entered into an amended and restated revolving credit and security agreement (as amended, the “Credit Agreement”) among Emerge Energy Services LP, as parent guarantor, each of its subsidiaries, as borrowers (the “Borrowers”), and PNC Bank, National Association, as administrative agent and collateral agent (the “agent”), and the lenders thereto. The Credit Agreement matures on June 27, 2019 and, after giving effect to the amendments described below, consists of a $190 million revolving credit facility, which included a sub-limit of up to $20 million for letters of credit, and incurs interest at a rate equal to either, at our option, LIBOR plus 5.00% or the base rate plus 4.00%. We also incur a commitment fee of 0.375% on committed amounts that are neither used for borrowings nor under letters of credit. Substantially all of the assets of the Borrowers are pledged as collateral under the Credit Agreement.

On August 31, 2016, we closed the sale of the Fuel business, used the net proceeds therefrom to repay outstanding borrowings under the Credit Agreement and entered into Amendment No. 11 to the Credit Agreement with the Borrowers, the lenders and the agent. Amendment No. 11, among other things, restated the Credit Agreement and provided a full waiver for all defaults or events of default arising out of our failure to comply with the financial covenant to generate minimum amounts of adjusted EBITDA during the quarters ended March 31, 2016, June 30, 2016 and September 30, 2016 and the covenant to maintain the minimum amount of excess availability for any date prior to September 1, 2016.

Pursuant to Amendment No. 11, the Credit Agreement now requires the Partnership to maintain the following financial covenants:

- a covenant to maintain $15 million of excess availability (as defined in the Credit Agreement);
- a covenant to limit capital expenditures (as defined in the Credit Agreement) to certain maximum amounts for each quarter through March 31, 2019;
- beginning with the quarter ending June 30, 2017, a covenant to generate consolidated EBITDA (as defined in the Credit Agreement) in certain minimum amounts;

- beginning with the quarter ending March 31, 2018, a covenant to maintain an interest coverage ratio (as defined in the Credit Agreement) of not less than 2.00 to 1.00, which is scheduled to increase to 3.00 to 1.00 for the fiscal quarter ending March 31, 2019; and
- a covenant to raise at least $31.2 million of net proceeds from the issuance and sale of common equity by November 30, 2016, which was satisfied by our underwritten sale of common units which closed on November 23, 2016.

In addition, the Credit Agreement also prohibits us from making cash distributions to our unitholders and requires all cash receipts by us and our subsidiaries to be swept on a daily basis and used to reduce outstanding borrowings under the Credit Agreement.

On April 12, 2017, the Partnership entered into Amendment No. 12 to the Credit Agreement. The Amendment amended the Revolving Credit Agreement to permit the Partnership and the Borrowers to enter into the Second Lien Term Loan Agreement and to reduce commitments under the revolving credit facility to $190 million, and further reducing on a quarterly basis to $125 million for the quarter beginning January 1, 2019.

Second Lien Term Loan Agreement

On April 12, 2017, we entered into a new $40 million second lien senior secured term loan facility with our wholly-owned subsidiaries Emerge Energy Services Operating LLC and Superior Silica Sands LLC, as borrowers (the “Borrowers”) and U.S. Bank National Association as disbursing agent and collateral agent (the “Second Lien Term Loan Agreement”). The Second Lien Term Loan Agreement matures on April 12, 2022. Proceeds of the new term credit facility were used to (i) pay down a portion of the our existing revolving credit facility, (ii) fund the asset acquisition described in Note 2 (iii) pay fees and expenses incurred in connection with the new term credit facility and (iv) for general business purposes. Substantially all of our assets are pledged as collateral on a second lien basis under the Second Lien Term Loan Agreement.

The Second Lien Term Loan Agreement contains various covenants and restrictive provisions and also requires the maintenance of certain financial covenants as follows:

- beginning with the fiscal quarter ending March 31, 2018, an interest coverage ratio of not less than 1.70:1.00 increasing quarterly thereafter to 2.55:1.00 for the fiscal quarter ending March 31, 2019 and thereafter;
- beginning with the fiscal quarter ending June 30, 2017, a minimum EBITDA of not less than $637,500 for such fiscal quarter, increasing quarterly to $50 million for the four fiscal quarter period ending June 30, 2019 and thereafter; and
- minimum excess availability of at least $12.75 million so long as the Revolving Credit Agreement remains in effect.

Loans under the Second Lien Term Loan Agreement will bear interest at the Partnership’s option at either the base rate plus 9.00%, or LIBOR plus 10.00%.

Covenants Compliance

At June 30, 2017, we were in compliance with our loan covenants and had undrawn availability under the Credit Agreement totaling $43.6 million, well above the minimum availability required under our current covenants. Our outstanding borrowings under the Credit Agreement bore interest at a weighted-average rate of 6.51% and the borrowings under the Second Lien Term Loan Agreement bore interest at a weighted-average rate of 11.16%.

6. RELATED PARTY TRANSACTIONS

Related party transactions included in our Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Operations for continuing operations are summarized in the following table:

	Six Months Ended June 30,	
	2017	2016
	($ in thousands)	
Wages and employee-related costs (1)	$ 8,263	$ 5,114

Wages and employee-related costs for discontinued operations for June 30, 2016 was $4.0 million.

	June 30, 2017	December 31, 2016
	($ in thousands)	
Accounts receivable	$ —	$ 371
Accounts payable and accrued liabilities	$ 574	$ 436

(1) We do not have any employees. Our general partner manages our human resource assets, including fringe benefits and other employee-related charges. We routinely and regularly reimburse our general partner for any employee-related costs paid on our behalf, and report such costs as operating expenses.

7. EQUITY-BASED COMPENSATION

Effective May 14, 2013, we adopted our 2013 Long-Term Incentive Plan (the "LTIP") for providing long-term incentives for employees, directors, and consultants who provide services to us, and provides for the issuance of an aggregate of up to 2,321,968 common units to be granted either as options, restricted units, phantom units, distribution equivalent rights, unit appreciation rights, unit award, profits interest units, or other unit-based award granted under the plan. All of our outstanding grants will be settled through issuance of limited partner common units.

For remaining phantom units granted to employees in 2013, we currently assume a 55-month vesting period, which represents management's estimate of the amount of time until all vesting conditions have been met. Concurrent with the closing of a secondary offering in June 2014 and the exercise of the underwriters' over-allotment in July 2014, 90,686 of these phantom units vested and common units were issued. For other phantom units granted to employees, we assume a 24 to 36-month vesting period. Restricted units are awarded to our independent directors on each anniversary of our IPO, each with a vesting period of one year. Regarding distributions for independent directors and other employees, distributions are credited to a distribution equivalent rights account for the benefit of each participant and become payable generally within 45 days following the date of vesting. As of June 30, 2017, the unpaid liability for distribution equivalent rights totaled $0.8 million.

In 2017, we granted 31,750 time-based phantom units to certain officers to vest in equal installments on each anniversary date of the grant over a period of two to three years.

The following table summarizes awards granted during the six months ended June 30, 2017.

	Total Units	Phantom Units	Restricted Units	Fair Value per Unit at Award Date
Outstanding at December 31, 2016	289,607	213,851	75,756	$ 13.09
Granted	54,791	31,750	23,041	$ 12.76
Vested	(91,156)	(15,400)	(75,756)	$ 11.75
Forfeitures	(12,000)	(12,000)	—	$ —
Outstanding at June 30, 2017	241,242	218,201	23,041	$ 13.30

For the six months ended June 30, 2017 and 2016, we recorded non-cash equity-based compensation expense of $0.7 million and $0.1 million, respectively, in selling, general and administrative expenses. Non-cash equity-based compensation expense for continuing operations was $(0.1) million for the six months ended June 30, 2016.

As of June 30, 2017, the unrecognized compensation expense related to the grants discussed above amounted to $1.6 million to be recognized over a weighted average of 0.90 years.

8. INCOME TAXES

Continuing operations

Our provision for income taxes for continuing operations relates to: (i) Texas margin taxes for the Partnership, and (ii) an insignificant amount of Canadian income taxes on SSS earnings in Canada (most of our earnings are exempted under a U.S/Canada tax treaty). For federal income tax purposes, we report our income, expenses, gains, and losses as a partnership not subject to income taxes. As such, each partner is responsible for his or her share of federal and state income tax. Net earnings for financial statement purposes may differ significantly from taxable income reportable to each partner because of differences between the tax basis and financial reporting basis of assets and liabilities.

The composition of our provision for income taxes for continuing operations is as follows:

	Six Months Ended June 30,	
	2017	2016
	($ in thousands)	
Texas margin tax	$ —	$ 20
Canadian income tax	—	1
Total provision for income taxes	$ —	$ 21

We are responsible for our portion of the Texas margin tax that is included in our subsidiaries' consolidated Texas franchise tax returns. For our operations in Texas, the effective margin tax rate is approximately 0.75% as defined by applicable state law. The margin tax qualifies as an income tax under Generally Accepted Accounting Principles (GAAP), which requires us to recognize the impact of this tax on the temporary differences between the financial statement assets and liabilities and their tax basis attributable to such tax.

9. EARNINGS PER COMMON UNIT

We compute basic earnings (loss) per unit by dividing net income (loss) by the weighted-average number of common units outstanding including certain participating securities. Participating securities include unvested equity-based payment awards that contain rights to distributions, as well as convertible preferred units and warrants that contain contractual rights to participate in any distributions that are declared. It is our policy to exclude convertible preferred units and warrants from the calculation of basic earnings (loss) per unit in periods of net losses from continuing operations since these securities are not contractually obligated to share in losses.

Diluted earnings per unit is computed by dividing net income by the weighted-average number of common units outstanding, including participating securities, and increased further to include the number of common units that would have been outstanding had potential dilutive units been exercised. The dilutive effect of restricted units is reflected in diluted net income per unit by applying the treasury stock method. Under FASB ASC 260-10-45, *Contingently Issuable Shares*, 93,806 of our outstanding phantom units are not included in basic or diluted earnings per common unit calculations as of June 30, 2017 and 2016. We exclude all potentially dilutive units from the diluted earnings per unit calculation for any periods of net loss from continuing operations as their effect would be anti-dilutive.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	($ in thousands, except unit and per unit data)			
Net income (loss) from continuing operations	$ (3,425)	$ (28,150)	$ (14,815)	$ (62,591)
Net income (loss) from discontinued operations	(2,657)	5,253	(2,657)	5,479
Net Income (loss)	$ (6,082)	$ (22,897)	$ (17,472)	$ (57,112)
Weighted average number of common units outstanding - basic and diluted	30,147,725	24,129,418	30,104,613	24,125,320
Basic and diluted earnings (loss) per unit:				
Earnings (loss) per common unit from continuing operations	$ (0.11)	$ (1.17)	$ (0.49)	$ (2.59)
Earnings (loss) per common unit from discontinued operations	(0.09)	0.22	(0.09)	0.23
Basic and diluted earnings (loss) per common unit	$ (0.20)	$ (0.95)	$ (0.58)	$ (2.36)

10. RECURRING FAIR VALUE MEASUREMENTS

We follow FASB ASC 820, *Fair Value Measurement*, which defines fair value, establishes a framework for measuring fair value, and specifies disclosures about fair value measurements. This guidance establishes a hierarchy for disclosure of the inputs to valuations used to measure fair value. The hierarchy prioritizes the inputs into three broad levels as follows.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.
- Level 3 inputs are 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.

Our valuation models consider various inputs including (a) mark to market valuations, (b) time value and, (c) credit worthiness of valuation of the underlying measurement.

A financial asset or liability's classification within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement.

The following table shows the three interest rate swap agreements we entered into during 2013 to manage interest rate risk associated with our variable rate borrowings.

Agreement Date	Effective Date	Maturity Date	Notional Amount	Fixed Rate	Variable Rate
Nov. 1, 2013	Oct. 14, 2014	Oct. 16, 2017	$25,000,000	1.33200%	1 Month LIBOR
Nov. 7, 2013	Oct. 14, 2014	Oct. 16, 2017	$25,000,000	1.25500%	1 Month LIBOR
Nov. 21, 2013	Oct. 14, 2014	Oct. 16, 2017	$20,000,000	1.21875%	1 Month LIBOR

The Fuel business utilized financial hedging arrangements whereby we hedged a portion of our gasoline and diesel inventory, which reduced our commodity price exposure on some of our activities. The derivative commodity instruments we utilized consisted mainly of futures traded on the New York Mercantile Exchange. Following the sale of the Fuel business, we have no open commodity derivative contracts.

We do not designate our derivative instruments as hedges under GAAP. As a result, we recognize derivatives at fair value on the consolidated balance sheet with resulting gains and losses reflected in interest expense (for interest rate swap agreements). The resulting gains and losses for the Fuel business were recorded to cost of goods sold for discontinued operations (for derivative commodity instruments), as reported in the condensed consolidated statements of operations. Our derivative instruments serve the same risk management purpose whether designated as a hedge or not. We derive fair values principally from published market interest rates and fuel price quotes (Level 2 inputs). The precise level of open position commodity derivatives is dependent on inventory levels, expected inventory purchase patterns, and market price trends. We do not use derivative financial instruments for trading or speculative purposes.

On August 8, 2016, we, as part of the private placement described above, also issued a warrant to the Purchaser to purchase approximately 890,000 common units at an exercise price of $10.82 per common unit. The Warrant shall be exercisable for a period of six years from the closing date and include customary provisions and protections, including anti-dilution protections. The fair value of this warrant at issuance date was calculated at $5.56 per unit based on a Black Scholes valuation model, utilizing Level 2 inputs based on the hierarchy established in ASC 820, Fair Value Measurement. This liability is marked to market each quarter with fair value gains and losses recognized immediately in earnings and included in Other expense (income) on our Consolidated Statements of Operations. We recorded a non-cash mark-to-market gain of $3.0 million and $2.3 million during the three and six months ended June 30, 2017.

The fair values of outstanding derivative instruments and warrant and their classifications within our Condensed Consolidated Balance Sheets are summarized as follows:

	June 30, 2017	December 31, 2016	Classification
	($ in thousands)		
Interest rate swaps	$ 13	$ 227	Accrued liabilities
Warrant liability	$ 4,707	$ 7,019	Other long-term liabilities

The effect of derivative instruments, none of which has been designated for hedge accounting, on our Condensed Consolidated Statements of Operations was as follows:

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016	Classification
	((income) expense $ in thousands)				
Interest rate swaps	$ (8)	$ 152	$ (64)	563	Interest expense, net
Commodity derivative contracts	—	682	—	701	Income from discontinued operations
Warrant	(3,008)	—	(2,312)	—	Other expense (income)
	$ (3,016)	$ 834	$ (2,376)	$ 1,264	

11. SUPPLEMENTAL CASH FLOW DISCLOSURES

The following supplemental disclosures may assist in the understanding of our Condensed Consolidated Statements of Cash Flows:

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
	($ in thousands)	
Cash paid for interest	$ 6,934	$ 11,438
Cash paid for income taxes, net of refunds	$ 15	$ (67)
Purchases of PP&E accrued but not paid at period-end	$ 1,115	$ 180
Purchases of PP&E accrued in a prior period and paid in the current period	$ 170	$ 3,364

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Emerge Energy Services LP ("Emerge") is a Delaware limited partnership that completed its initial public offering ("IPO") on May 14, 2013 to become a publicly traded partnership. The combined entities of Superior Silica Sands LLC ("SSS"), a Texas limited liability company and Emerge Energy Services Operating LLC ("Emerge Operating"), a Delaware limited liability company, represent Emerge.

References to the "Partnership," "we," "our" or "us" refer collectively to Emerge and all of its subsidiaries.

Overview

We are a publicly-traded limited partnership formed in 2012 by management and affiliates of Insight Equity Management Company LLC and its affiliates (collectively "Insight Equity") to own, operate, acquire and develop a diversified portfolio of energy service assets.

On August 31, 2016, we completed the sale of our Fuel business pursuant to an Amended and Restated Purchase and Sale Agreement, dated August 31, 2016 (the "Restated Purchase Agreement"), with Susser Petroleum Operating Company LLC and Sunoco LP (together, "Sunoco"). Sunoco paid Emerge a purchase price of $167.7 million in cash (subject to certain working capital and other adjustments in accordance with the terms of the Restated Purchase Agreement), of which $14.25 million was placed into several escrow accounts to satisfy potential claims from Sunoco for indemnification under the Restated Purchase Agreement. During the second quarter of 2017, we received the entire $2.25 million of the Renewable Fuel Standard escrow. Additionally, we wrote off $2.7 million of the hydrotreator and pipeline escrow receivables relating to completion delays and cost overruns. Any escrowed funds remaining after certain periods of time set forth in the Restated Purchase Agreement will be released to Emerge, provided that no unsatisfied indemnity claims exist at such time.

The results of operations of the Fuel business have been classified as discontinued operations for all periods presented and we now operate our continuing business in a single Sand business. Through our Sand business, we are engaged in the businesses of mining, processing, and distributing silica sand, a key input for the hydraulic fracturing of oil and gas wells. We conduct our Sand operations through our subsidiary SSS, and we believe our SSS brand has name recognition and enjoys a positive reputation with our customers.

On April 12, 2017, we closed the transaction to acquire substantially all of the assets of Osburn Materials for $20 million. The transaction was funded with a new $40 million term loan, and the remaining proceeds (after transaction fees and expenses) were used to reduce outstanding borrowings under the revolving credit facility. Osburn Materials is located approximately 25 miles south of San Antonio, Texas and produces and sells sand and construction materials but did not serve the energy markets. We upgraded the existing operations for conversion into frac sand sales and commenced frac sand production in July 2017. Osburn Materials' current sand reserves, which consists mostly of 40/70 and 100 mesh fine mesh, meets API specifications for all grades.

The following discussion analyzes our financial condition and results of operations and should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2016, as well as historical condensed consolidated financial statements and notes included elsewhere in this Quarterly Report.

Results of Operations

The following table summarizes our consolidated operating results.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	($ in thousands)			
Revenues	$ 82,602	$ 24,825	$ 157,946	$ 54,495
Operating expenses:				
Cost of goods sold (excluding depreciation, depletion and amortization)	71,428	38,354	143,739	82,144
Depreciation, depletion and amortization	5,675	4,870	10,331	9,777
Selling, general and administrative expenses	6,850	4,459	12,728	11,234
Contract and project terminations	—	10	—	4,036
Total operating expenses	83,953	47,693	166,798	107,191
Operating income (loss)	(1,351)	(22,868)	(8,852)	(52,696)
Other expense (income):				
Interest expense	5,082	5,283	8,280	9,877
Other	(3,008)	(2)	(2,317)	(3)
Total other expense	2,074	5,281	5,963	9,874
Income (loss) before provision for income taxes	(3,425)	(28,149)	(14,815)	(62,570)
Provision (benefit) for income taxes	—	1	—	21
Net income (loss) from continuing operations	(3,425)	(28,150)	(14,815)	(62,591)
Income (loss) from discontinued operations, net of taxes	(2,657)	5,253	(2,657)	5,479
Net income (loss)	$ (6,082)	$ (22,897)	$ (17,472)	$ (57,112)
Adjusted EBITDA (a)	$ 7,534	$ (9,080)	$ 7,602	$ (18,593)

(a) See "Adjusted EBITDA" below for a discussion of Adjusted EBITDA and a reconciliation to net income (loss) and cash flows from operations.

Major Factors Impacting Comparability Between Prior and Future Periods

Market Trends

Beginning in late 2014, the market prices for crude oil and refined products began a steep and protracted decline which continued into 2016. This greatly impacted the demand for frac sand as drilling and completion of new oil and natural gas wells was significantly curtailed in North America. As a result, we experienced significant downward pressure on sand volume and pricing. However, commodity prices stabilized in the middle of 2016, leading to an improvement in drilling activity during the third quarter of 2016 and into 2017. Market conditions have improved significantly in the first half of 2017, and based on industry outlooks from third party research firms, we expect conditions to continue to improve for the rest of the year and into 2018.

The increase in demand for frac sand has significantly tightened the availability of supply, and as a result, customers are seeking surety of supply through contractual commitments. We are now selectively agreeing to multi-year contracts with some of our key accounts. For example, we recently entered into a three year, take-or-pay sand supply agreement with a customer whereby we are compensated at a fixed price per ton if less than the minimum volume of sand committed for sale under the agreement is ultimately purchased by the customer. We believe this ensures the customers a steady supply of product in exchange for covering the infrastructure-related fixed costs plus needed margins associated with operating our business.

Although the near-term supply is closely aligned to current demand, our competitors have begun building in-basin frac sand operations targeting the West Texas Permian Basin. Our Osburn Materials transaction positions us to target other under-served Texas in-basin markets with comparatively less start-up costs (e.g., permitting, construction, infrastructure, and environmental analyses). There can be no assurances that all of the announced projects will be completed given permitting, construction, infrastructure, and environmental constraints.

Sale of Fuel Business

In order to improve our competitive positioning and retain upside for the eventual recovery in the oil and gas cycle, we divested our Fuel business to reduce our debt burden. We recorded a gain of $31.7 million on the sale of the Fuel business during the third quarter of 2016. Please see Note 3 to our financial statements for a detailed discussion of the sale of the Fuel business.

Expansion of Sand Resources

On April 12, 2017, we closed the transaction to acquire substantially all of the assets of Osburn Materials for approximately $20 million. Osburn Materials is located approximately 25 miles south of San Antonio, Texas and produces and sells sports sands and building products, but did not serve the energy markets. We upgraded the existing operations for conversion into frac sand sales and commenced frac sand production in July 2017. Osburn Materials has API-specification, strategic reserves that will bolster our presence with in-basin local sands and balance our portfolio of northern white to local sands. With the close proximity of the plant to the Eagle Ford basin, we expect to sell the majority of the sand produced at the plant into this shale play, which is currently the second most active in the United States.

Fluctuating Fixed Costs for Sand

During 2014, our rapidly expanding frac sand business required us to contract for numerous railcars to be delivered and leased in the future as well as contracting for new transload facilities discussed above. The industry downturn from 2015 through 2016 and the corresponding decline in volumes shipped created an excess number of railcars in our fleet, increasing our fixed costs per ton. However, we successfully negotiated concessions with several of our vendors in 2016, and the recent upturn in frac sand demand has required us to place most of our idled railcars back into service, thereby reducing our fixed cost per ton.

Changing Preferences of Customer Demand

For several years leading up to 2015, most oil and gas producers preferred the highest quality, coarsest grades of frac sand (20/40 and 30/50) to complete shale wells around North America. The drop in oil and gas prices during 2015 and 2016 forced many oil and gas producers to consider alternatives for lowering the cost to complete a new well. Lower quality proppants compared to northern white sands are often located closer to the shale basins than northern white sands, so some operators have elected to use these proppants and save on transportation costs. Finer mesh sands (40/70 and 100 mesh) have also been used more regularly as oil and gas well completion designs have evolved. As a leading provider of frac sand, we are able to meet the changing needs of our customers and the market. Our diversified set of capabilities enables us to produce both coarse and fine grades in large quantities. With our recent acquisition in San Antonio, we have two Texas operations that are well positioned geographically to meet the strong demand in the prolific Texas basins.

Cost Containment

To conserve liquidity and respond to the industry downturn, we became focused on prudently reducing costs while maintaining our ability to quickly respond to market demands. We have already implemented plans, but will continue to aggressively contain costs in the future. Such measures include:

- We are minimizing the overall cost of sand sold by finding the lowest cost combinations of sand source, production location and transportation providers wherever possible.
- We have negotiated, and continue to negotiate, price concessions and purchase commitment concessions from our major vendors, such as railcar lessors, rail transportation providers, mine operators, transload facilities operators, and professional services providers.
- We have minimized our capital expenditures to include only those projects with the potential for rapid returns, and comply with our bank covenants that limit capital expenditures.

Sand Distribution System

We have developed our sand distribution system over several years through the addition of third-party transload facilities in the basins in which our customers operate. We are able to charge higher prices for these in-basin sales than for FOB-plant sales to provide this additional service and convenience to our customers and to cover related transportation and other services costs.

Currently, our northern white volumes are partially constrained by railroad congestion from the class I carriers due to the high volume of shipments that have surpassed prior peak periods. We are working closely with our logistics partners to resolve the bottlenecks during this period of surging demand.

Technology Driven Proppant Products

In November 2015, we acquired 11 patents and other intellectual property assets from AquaSmart Enterprises LLC for their Self-Suspending Sand technology. The product brand is marketed as SandMaxX™. While subject to ongoing field testing that began in 2016 and data validation, this new technology offers the potential to increase productivity and completion efficiencies in oil and gas wells while improving pump time, and well site economics. At our Barron dry plant, we have a pilot production circuit to produce in excess of 175,000 tons per year of SandMaxX™ product. This pilot production circuit uses proprietary and patented technology to coat all grades of standard frac sand. SandMaxX™ product was pumped downhole in multiple trial wells during 2016 and 2017, and while the early results appear favorable, we are working closely with our customers to confirm and document actual well performance data in addition to comparing the results against wells completed with regular sand. Our plans for constructing a commercial scale coating plant depend upon the successful completion of the field trial testing and achieving market acceptance of the product. We will continue to work toward transforming our Sand business from a commodity business to a more value-driven approach by developing capabilities and products that enable us to increase our presence in larger, more profitable markets.

Continuing Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	($ in thousands)			
Revenues	$ 82,602	$ 24,825	$ 157,946	$ 54,495
Operating expenses:				
Cost of goods sold (excluding depreciation, depletion and amortization)	71,428	38,354	143,739	82,144
Depreciation, depletion and amortization	5,675	4,870	10,331	9,777
Selling, general and administrative expenses	6,850	4,459	12,728	11,234
Contract and project terminations	—	10	—	4,036
Operating income (loss)	$ (1,351)	$ (22,868)	$ (8,852)	$ (52,696)
Net income (loss) from continuing operations	$ (3,425)	$ (28,150)	$ (14,815)	$ (62,591)
Adjusted EBITDA (a)	$ 7,534	$ (16,028)	$ 7,602	$ (29,010)
Volume of frac sand sold (tons in thousands)	1,284	392	2,529	815
Volume of non - frac sand sold (tons in thousands)	108	7	114	23
Total volume of sand sold (tons in thousands)	1,392	399	2,643	838
Volume of frac sand produced by plant (tons in thousands) (b):				
Arland, Wisconsin facility	508	—	876	—
Barron, Wisconsin facility	518	391	1,050	711
New Auburn, Wisconsin facility	302	11	619	180
Kosse, Texas facility	47	26	112	43
Total volume of frac sand produced	1,375	428	2,657	934

(a) See "Adjusted EBITDA" below for a discussion of Adjusted EBITDA and a reconciliation to net income (loss) and operating cash flows.

(b) We commenced frac sand production in the San Antonio facility in July 2017.

Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016

Revenues

Sand revenues increased by $57.8 million, primarily due to a 249% increase in total volumes sold as a result of the increased market demand for frac sand and higher prices of frac sand in 2017 compared to 2016. FOB plant sales volumes increased 397% compared to a 139% increase for the higher-priced, in-basin sand sales. In-basin sales as a percentage of total volumes sold decreased from 57% in the second quarter of 2016 to 39% in the second quarter of 2017. The shift in the mix of FOB plant and in-basin volumes decreased the overall revenue per ton, even though volumes and sand prices increased in 2017.

Cost of goods sold (excluding depreciation, depletion and amortization)

Our cost of goods sold consists primarily of direct costs such as processing plant wages, royalties, mining, purchased sand, and transportation to the plant or to transload facilities, as well as indirect costs such as plant repairs and maintenance. Our direct costs of producing sand and our logistics costs for finished product increased with our increased sales. The most significant components of the $33.1 million increase are:

- $16.3 million increase in the total cost to acquire and produce wet and dry sand, due mainly to higher sales volumes;
- $15.3 million increase in rail transportation-related expense, primarily due to:
  - $16.3 million increased rail shipping costs due to increased volumes sold in-basin; offset by
  - $0.8 million decreased rail lease expense; and
  - $0.2 million decreased railcar storage costs;
- $1.4 million increase in costs of transload facilities.

Selling, general and administrative expenses

The $2.4 million increase in selling, general and administrative expenses is attributable primarily to:

- $1.8 million increase in employee-related costs due to higher staffing and bonus accruals; and
- $0.5 million increase in equity-based compensation expense.

Other

Other expenses decreased $3.0 million due to a mark-to-market gain recognized in the second quarter of 2017 for a change in the fair value of the warrant issued in August 2016.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Revenues

Sand revenues increased by $103.5 million, primarily due to a 215% increase in total volumes sold as a result of the increased market demand for frac sand and higher prices of frac sand in 2017 compared to 2016. FOB plant sales volumes increased 343% compared to a 128% increase for the higher-priced in-basin sand sales. In-basin sales as a percentage of total volumes sold decreased from 59% in the six months of 2016 to 43% in the six months of 2017. The shift in the mix of FOB plant and in-basin volumes decreased the overall revenue per ton, even though volumes and sand prices increased in 2017.

Cost of goods sold (excluding depreciation, depletion and amortization)

Our cost of goods sold consists primarily of direct costs such as processing plant wages, royalties, mining, purchased sand, and transportation to the plant or to transload facilities, as well as indirect costs such as plant repairs and maintenance. Our direct costs of producing sand and our logistics costs for finished product increased with our increased sales. The most significant components of the $61.6 million increase are:

- $21.5 million increase in the total cost to acquire and produce wet and dry sand, due mainly to higher sales volumes, and higher production costs on a per ton basis due to costs incurred to start the wet plants back up from the winter months;
- $31.9 million increase in rail transportation-related expense, primarily due to:
  - $35.4 million increased rail shipping costs due to increased volumes sold in-basin; offset by
  - $2.7 million decreased rail lease expense; and
  - $0.9 million decreased railcar storage costs;
- $2.8 million increase in costs of transload facilities; and

- $5.4 million write down of sand inventory in the first quarter of 2016 based on our lower of cost or market analysis. This write down is attributed to declining market conditions and a significant decline in prices.

Selling, general and administrative expenses

The $1.5 million increase in selling, general and administrative expenses is attributable primarily to:

- $2.1 million increase in employee-related costs due to higher staffing and bonus accruals;
- $0.6 million in increased equity-based compensation expense;
- $0.4 million increase in outside professional services, offset by
- $1.7 million decrease in bad debt expense.

Interest expense

Net interest expense decreased $1.6 million mainly due to lower average balances on outstanding revolving credit facility, offset by the addition of the second lien term loan and higher average interest rates in 2017.

Other

Other expenses decreased $2.3 million due to a mark-to-market gain recognized in 2017 for a change in the fair value of the warrant issued in August 2016.

Contract and project terminations

During the first half of 2016, we negotiated various railcar lease contracts. As part of these negotiations, we paid $4.0 million as contract termination fees to a railcar lease vendor. See Note 4 to our Condensed Consolidated Financial Statements for further discussion.

Discontinued Operations

We completed the sale of our Fuel business on August 31, 2016, thus we did not have any operations for the Fuel business in 2017.

During the three months ended June 30, 2017, we wrote off a non-cash charge of $2.7 million of the hydrotreator and pipeline escrow receivables relating to completion delays and cost overruns.

Liquidity and Capital Resources

Sources of Liquidity

Our principal liquidity requirements are to finance current operations, fund capital expenditures, including acquisitions from time to time, to service our debt and to pay distributions to partners. Our sources of liquidity generally include cash generated by our operations, borrowings under our revolving Credit Agreement and issuances of equity and debt securities. We depend on the Credit Facility for both short-term and long-term capital needs and may use borrowings under our Credit Facility to fund our operations and capital expenditures to the extent cash generated by our operations is insufficient in any period. We believe that cash generated from our liquidity sources will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months.

Revolving Credit Facility

On June 27, 2014, we entered into an amended and restated revolving credit and security agreement (as amended, the “Credit Agreement”) among Emerge Energy Services LP, as parent guarantor, each of its subsidiaries, as borrowers (the “Borrowers”), and PNC Bank, National Association, as administrative agent and collateral agent (the “agent”), and the lenders thereto. The Credit Agreement matures on June 27, 2019 and, after giving effect to the amendments described below, consists of a $190 million revolving credit facility, which included a sub-limit of up to $20 million for letters of credit, and incurs interest at a rate equal to either, at our option, LIBOR plus 5.00% or the base rate plus 4.00%. We also incur a commitment fee of 0.375% on committed amounts that are neither used for borrowings nor under letters of credit. Substantially all of the assets of the Borrowers are pledged as collateral under the Credit Agreement.

On August 31, 2016, we closed the sale of the Fuel business, used the net proceeds therefrom to repay outstanding borrowings under the Credit Agreement and entered into Amendment No. 11 to the Credit Agreement with the Borrowers, the lenders and the agent. Amendment No. 11, among other things, restated the Credit Agreement and provided a full waiver for all defaults or events of default arising out of our failure to comply with the financial covenant to generate minimum amounts of adjusted EBITDA during the quarters ended March 31, 2016, June 30, 2016 and September 30, 2016 and the covenant to maintain the minimum amount of excess availability for any date prior to September 1, 2016.

Pursuant to Amendment No. 11, the Credit Agreement now requires the Partnership to maintain the following financial covenants:

- a covenant to maintain $15 million of excess availability (as defined in the Credit Agreement);
- a covenant to limit capital expenditures (as defined in the Credit Agreement) to certain maximum amounts for each quarter through March 31, 2019;
- beginning with the quarter ending June 30, 2017, a covenant to generate consolidated EBITDA (as defined in the Credit Agreement) in certain minimum amounts;

- beginning with the quarter ending March 31, 2018, a covenant to maintain an interest coverage ratio (as defined in the Credit Agreement) of not less than 2.00 to 1.00, which is scheduled to increase to 3.00 to 1.00 for the fiscal quarter ending March 31, 2019; and
- a covenant to raise at least $31.2 million of net proceeds from the issuance and sale of common equity by November 30, 2016, which was satisfied by our underwritten sale of common units which closed on November 23, 2016.

In addition, the Credit Agreement also prohibits us from making cash distributions to our unitholders and requires all cash receipts by us and our subsidiaries to be swept on a daily basis and used to reduce outstanding borrowings under the Credit Agreement.

On April 12, 2017, the Partnership entered into Amendment No. 12 to the Credit Agreement. The Amendment amended the Revolving Credit Agreement to permit the Partnership and the Borrowers to enter into the Second Lien Term Loan Agreement and to reduce commitments under the revolving credit facility to $190 million, and further reducing on a quarterly basis to $125 million for the quarter beginning January 1, 2019.

We believe that we will be able to maintain compliance with the covenants and restrictions under the Credit Agreement, as amended, for at least the next 12 months.

Second Lien Term Loan Agreement

On April 12, 2017, we entered into a new $40 million second lien senior secured term loan facility with our wholly-owned subsidiaries Emerge Energy Services Operating LLC and Superior Silica Sands LLC, as borrowers (the “Borrowers”) and U.S. Bank National Association as disbursing agent and collateral agent (the “Second Lien Term Loan Agreement”). The Second Lien Term Loan Agreement matures on April 12, 2022. Proceeds of the new term credit facility were used to (i) pay down a portion of the our existing revolving credit facility, (ii) fund the acquisition described in Note 2, (iii) pay fees and expenses incurred in connection with the new term credit facility and (iv) for general business purposes. Substantially all of our assets are pledged as collateral on a second lien basis under the Second Lien Term Loan Agreement.

The Second Lien Term Loan Agreement contains various covenants and restrictive provisions and also requires the maintenance of certain financial covenants as follows:

- beginning with the fiscal quarter ending March 31, 2018, an interest coverage ratio of not less than 1.70:1.00 increasing quarterly thereafter to 2.55:1.00 for the fiscal quarter ending March 31, 2019 and thereafter;
- beginning with the fiscal quarter ending June 30, 2017, a minimum EBITDA of not less than $637,500 for such fiscal quarter, increasing quarterly to $50 million for the four fiscal quarter period ending June 30, 2019 and thereafter; and
- minimum excess availability of at least $12.75 million so long as the Revolving Credit Agreement remains in effect.

Loans under the Second Lien Term Loan Agreement will bear interest at the Partnership’s option at either the base rate plus 9.00%, or LIBOR plus 10.00%.

Covenants Compliance

At June 30, 2017, we were in compliance with our loan covenants and had undrawn availability totaling $43.6 million under the Credit Agreement, well above the minimum availability required under our current covenants. Our outstanding borrowings under the Credit Agreement bore interest at a weighted-average rate of 6.51% and the borrowings under the Second Lien Term Loan Agreement bore interest at a weighted-average rate of 11.16%.

Liquidity Trends

Beginning in the second half of 2014 and continuing through the middle of 2016, prices for natural gas, crude oil and refined fuels were extremely volatile and decreased significantly. Although oil and gas drilling and completions activity has improved significantly in the last 12 months, our cash flows from operating activities are subject to significant quarterly variations as volatile commodity prices influence demand for our frac sand. In addition, after closing the sale of our Fuel business we are more dependent on the volatility in demand for frac sand without the benefit of cash flows generated by our Fuel business in periods of stable commodity prices. Therefore, the cash generated by our operations are driven by a number of factors beyond our control, including global and regional product supply and demand, weather, product distribution, refining and processing capacity and other supply chain dynamics, among other factors. Our liquidity needs may not be met solely by cash generated from operations, and we expect to continue relying on borrowings under the Credit Agreement as source of future liquidity.

However, our ability to comply with the restrictions and covenants of the Credit Agreement and the Second Lien Term Loan Agreement is uncertain and will be affected by the amount of cash flow from our operations and events or circumstances beyond our control, including events and circumstances that may stem from the condition of financial markets and commodity price levels. If in the future we are unable to comply with the financial covenants of the Credit Agreement and the lenders are unwilling to provide us with additional flexibility or a waiver, we may be forced to repay or refinance amounts then outstanding under the Credit Agreement and seek alternative sources of capital to fund our business and anticipated capital expenditures. Any such alternative sources of capital, such as equity transactions or debt financing, may be on terms less favorable or at higher costs than our current financing sources, depending on future market conditions and other factors, or may not be available at all.

Cash Flow Summary

The table below summarizes our cash flows.

	Six Months Ended June 30,	
	2017	2016
	($ in thousands)	
Cash flows from operating activities	$ (7,173)	$ (13,032)
Cash flows from investing activities	$ (23,622)	$ (11,012)
Cash flows from financing activities	$ 30,980	$ 6,332
Cash and cash equivalents at beginning of period	$ 4	$ 20,870
Cash and cash equivalents at end of period	$ 189	$ 3,158

Operating cash flows

Cash flows from operating activities have generally trended the same as our net income (loss) adjusted for non-cash items of depreciation, depletion and amortization, equity-based compensation, amortization of deferred financing costs, contract termination costs, unrealized losses on derivative instruments, and unrealized loss on fair value of warrants. The changes in our operating assets and liabilities were also significantly impacted by higher accounts receivable balances resulting from higher sales of sand and higher prices during the first six months of 2017.

Investing cash flows

Cash flows used in investing activities increased during the six months ended June 30, 2017 due to the acquisition of assets from Osburn Materials offset by decrease in our capital expenditures. Capital expenditures in the first six months of 2016 related to the Fuel business. Additionally, as a result of the current market conditions and covenants under our Credit Agreement, we have significantly curtailed our capital expenditures to include only those projects with the potential for rapid returns, and comply with our bank covenants that limit capital expenditures.

Financing cash flows

Our cash balance as of June 30, 2017 is $0.2 million compared to $4,000 as of December 31, 2016 and $3.2 million as of June 30, 2016. We are currently subject to a cash dominion requirement as per Amendment No. 11 to our Credit Agreement, which requires all cash receipts by us and our subsidiaries to be swept on a daily basis and used to reduce outstanding borrowings under the Credit Agreement. We manage our cash on a daily basis and make advances against the revolver based on our daily disbursements.

The main categories of our financing cash flows can be summarized as follows:

	Six Months Ended June 30,	
	2017	2016
	($ in thousands)	
Net debt proceeds (payments)	$ 35,824	$ 10,894
Other	(4,844)	(4,562)
Total	$ 30,980	$ 6,332

In April 2017, we entered into a second lien term loan for $40 million. Proceeds of the new term credit facility were used to (i) pay down a portion of the our existing revolving credit facility, (ii) fund the acquisition described in Note 2 (iii) pay fees and expenses incurred in connection with the new term credit facility and (iv) for general business purposes.

Critical Accounting Estimates

Significant judgment is often required in estimating the fair values of assets acquired. We engaged a third-party valuation specialist in estimating fair values of the assets acquired. We used our best estimates and assumptions to allocate the cost of the acquisition to the assets acquired on a relative fair value basis at the acquisition date. The preliminary fair value estimates are based on available historical information and on expectations and assumptions about the future production and sales volumes, market demands, the average selling price of sand and the discount factor used in estimating future cash flows. While we believe those expectations and assumptions are reasonable, they are inherently uncertain. Additionally, we are finalizing the sand reserves estimates. Transaction costs incurred for the acquisition are capitalized as a component of the cost of the assets acquired.

ADJUSTED EBITDA

We calculate Adjusted EBITDA, a non-GAAP measure, in accordance with our current Credit Agreement as: net income (loss) plus consolidated interest expense (net of interest income), income tax expense, depreciation, depletion and amortization expense, non-cash charges and losses that are unusual or non-recurring less income tax benefits and gains that are unusual or non-recurring and other adjustments allowable under our current Credit Agreement. Adjusted EBITDA is used as a supplemental financial measure by our management and external users of our financial statements, such as investors and commercial banks, to assess:

- our debt covenant compliance. Adjusted EBITDA is a key component of critical covenants to our Credit Agreement;
- the financial performance of our assets without regard to the impact of financing methods, capital structure or historical cost basis of our assets;
- the viability of capital expenditure projects and the overall rates of return on alternative investment opportunities;
- our liquidity position and the ability of our assets to generate cash sufficient to make debt payments and to make distributions; and
- our operating performance as compared to those of other companies in our industry without regard to the impact of financing methods and capital structure.

We believe that Adjusted EBITDA provides useful information to investors because, when viewed with our GAAP results and the accompanying reconciliations, it provides a more complete understanding of our performance than GAAP results alone. We also believe that external users of our financial statements benefit from having access to the same financial measures that management uses in evaluating the results of our business.

Adjusted EBITDA should not be considered an alternative to, or more meaningful than, net income, operating income, cash flows from operating activities or any other measure of financial performance presented in accordance with GAAP. Moreover, our Adjusted EBITDA as presented may not be comparable to similarly titled measures of other companies.

Reconciliation of Net Income (Loss) and Operating Cash Flows to Adjusted EBITDA

The following table present a reconciliation of net income (loss) to Adjusted EBITDA for the three months ended June 30, 2017 and 2016:

	Continuing		Discontinued		Consolidated	
	Three Months Ended June 30,					
	2017	2016	2017	2016	2017	2016
	($ in thousands)					
Net income (loss)	$ (3,425)	$ (28,150)	$ (2,657)	$ 5,253	$ (6,082)	$ (22,897)
Interest expense, net	5,082	5,283	—	686	5,082	5,969
Depreciation, depletion and amortization	5,675	4,870	—	—	5,675	4,870
Provision for income taxes	—	1	—	5	—	6
EBITDA	7,332	(17,996)	(2,657)	5,944	4,675	(12,052)
Equity-based compensation expense	330	(335)	—	131	330	(204)
Contract and project terminations	—	10	—	—	—	10
Reduction in escrow receivable	—	—	2,657	—	2,657	—
Provision for doubtful accounts	—	—	—	38	—	38
Accretion expense	29	30	—	—	29	30
Retirement of assets	66	—	—	67	66	67
Fuel division selling expenses	—	—	—	679	—	679
Other state and local taxes	456	483	—	89	456	572
Non-cash deferred lease expense	2,329	1,607	—	—	2,329	1,607
Unrealized gain on fair value of warrant	(3,008)	—	—	—	(3,008)	—
Other adjustments allowable under our Credit Agreement	—	173	—	—	—	173
Adjusted EBITDA	$ 7,534	$ (16,028)	$ —	$ 6,948	$ 7,534	$ (9,080)

The following table present a reconciliation of net income (loss) to Adjusted EBITDA for the six months ended June 30, 2017 and 2016:

	Continuing		Discontinued		Consolidated	
	Six Months Ended June 30,					
	2017	2016	2017	2016	2017	2016
	($ in thousands)					
Net income (loss)	$ (14,815)	$ (62,591)	$ (2,657)	$ 5,479	$ (17,472)	$ (57,112)
Interest expense, net	8,280	9,877	—	1,283	8,280	11,160
Depreciation, depletion and amortization	10,331	9,777	—	2,354	10,331	12,131
Provision for income taxes	—	21	—	11	—	32
EBITDA	3,796	(42,916)	(2,657)	9,127	1,139	(33,789)
Equity-based compensation expense	677	(98)	—	234	677	136
Write-down of sand inventory	—	5,394	—	—	—	5,394
Contract and project terminations	—	4,036	—	—	—	4,036
Reduction in escrow receivable	—	—	2,657	—	2,657	—
Provision for doubtful accounts	—	1,672	—	74	—	1,746
Accretion expense	58	59	—	—	58	59
Retirement of assets	60	—	—	67	60	67
Reduction in force	—	76	—	—	—	76
Fuel division selling expenses	—	—	—	679	—	679
Other state and local taxes	880	952	—	236	880	1,188
Non-cash deferred lease expense	4,230	1,607	—	—	4,230	1,607
Unrealized gain on fair value of warrant	(2,312)	—	—	—	(2,312)	—
Other adjustments allowable under our Credit Agreement	213	208	—	—	213	208
Adjusted EBITDA	$ 7,602	$ (29,010)	$ —	$ 10,417	$ 7,602	$ (18,593)

The following table reconciles Consolidated Adjusted EBITDA to our operating cash flows for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	($ in thousands)			
Adjusted EBITDA	$ 7,534	$ (9,080)	$ 7,602	$ (18,593)
Interest expense, net	(3,975)	(4,347)	(6,659)	(8,989)
Income tax expense	(456)	(578)	(880)	(1,220)
Contract and project terminations - non-cash	—	—	—	(25)
Reduction in force	—	—	—	(76)
Write-down of sand inventory	—	—	—	(5,394)
Other adjustments allowable under our Credit Agreement	—	(173)	(213)	(208)
Fuel division selling expenses	—	(679)	—	(679)
Permitted acquisition transaction expenses	—	—	—	—
Cost to retire assets	19	9	19	9
Non-cash deferred lease expense	(2,329)	(1,607)	(4,230)	(1,607)
Change in other operating assets and liabilities	4,973	5,714	(2,812)	23,750
Cash flows from operating activities:	$ 5,766	$ (10,741)	$ (7,173)	$ (13,032)
Cash flows from investing activities:	$ (22,230)	$ (6,099)	$ (23,622)	$ (11,012)
Cash flows from financing activities:	$ 14,554	$ 8,637	$ 30,980	$ 6,332

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information about market risks for the six months ended June 30, 2017, does not differ materially from that discussed under Item 7A of our Annual Report on Form 10-K for the year ended December 31,2016. Following the sale of the Fuel business, risks with respect to prices of refined fuels products and transmix, wholesale fuel and other feedstocks are no longer applicable to or continuing operations.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2017. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management's evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act during the quarter ended June 30, 2017 that materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Although we are, from time to time, involved in litigation and claims arising out of our operations in the normal course of business, we do not believe that we are a party to any litigation that could have a material adverse impact on our financial condition or results of operations. We are not aware of any undisclosed significant legal or governmental proceedings against us, or contemplated to be brought against us. We maintain such insurance policies with insurers in amounts and with coverage and deductibles as our general partner believes are reasonable and prudent. However, we cannot assure you that this insurance will be adequate to protect us from all material expenses related to potential future claims for personal and property damage or that these levels of insurance will be available in the future at acceptable prices.

Environmental Matters

On November 21, 2013, the EPA issued a General Notice Letter and Information Request (“Notice”) under Section 104(e) of CERCLA to one of our subsidiaries operating within the Fuel business. The Notice provides that the subsidiary may have incurred liability with respect to the Reef Environmental site in Alabama, and requested certain information in accordance with Section 107(a) of CERCLA. We timely responded to the Notice. At this time, no specific claim for cost recovery has been made by the EPA (or any other potentially responsible party) against us. There is uncertainty relating to our share of environmental remediation liability, if any, because our allocable share of wastewater is unknown and the total remediation cost is also unknown. Consequently, management is unable to estimate the possible loss or range of loss, if any. We have not recorded a loss contingency accrual in our financial statements. In the opinion of management, the outcome of such matters will not have a material adverse effect on our financial position, liquidity or results of operations.

In January 2016, AEC experienced a leak in its proprietary fuel pipeline that connects the bulk storage terminal to the transmix facility located in Birmingham, Alabama. AEC management notified the controlling governmental agencies of this condition, and commenced efforts to locate the leak, determine the cause of the leak, repair the leak, and remediate known contamination to the proximate soils and sub-grade. These efforts remain in progress, and management does not expect the costs to repair and remediate these conditions to have a material impact on our financial position, results of operations, or cash flows.

Under the Restated Purchase Agreement, we agreed to indemnify Sunoco against these and any other environmental liabilities associated with the business and operations of the Fuel business prior to its sale, subject to certain exceptions. We have obtained an environmental insurance policy which, pursuant to the terms of the Restated Purchase Agreement, acts as the first recourse coverage for any pre-closing environmental liability asserted by Sunoco with our indemnification obligation being for any claims in excess of the insurance policy coverage or in the event a claim is denied under the insurance policy. Our management does not expect our environmental indemnification obligations pursuant to the Restated Purchase Agreement will have a material adverse effect on our future results of operations, financial position or cash flow.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2016, which could materially affect our business, financial condition or future results. The risks described in this report and in our Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

ITEM 4. MINE SAFETY DISCLOSURES

We adhere to a strict occupational health program aimed at controlling exposure to silica dust, which includes dust sampling, a respiratory protection program, medical surveillance, training, and other components. We designed our safety program to ensure compliance with the standards of our Occupational Health and Safety Manual and U.S. Federal Mine Safety and Health Administration (“MSHA”) regulations. For both health and safety issues, extensive training is provided to employees. We have organized safety committees at our plants made up of both salaried and hourly employees. We perform internal health and safety audits and conduct tests of our abilities to respond to various situations. Our health and safety department administers the health and safety programs with the assistance of corporate personnel and plant environmental, health and safety coordinators.

All of our production facilities are classified as mines and are subject to regulation by MSHA under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”). MSHA inspects our mines on a regular basis and issues various citations and orders when it believes a violation has occurred under the Mine Act. Following passage of The Mine Improvement and New Emergency Response Act of 2006, MSHA significantly increased the numbers of citations and orders charged against mining operations. The dollar penalties assessed for citations issued has also increased in recent years. Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.104) is included in Exhibit 95.1 to this Quarterly Report on Form 10-Q.

Table of Contents

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	Certificate of Limited Partnership of Emerge Energy Services LP (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1, Registration No. 333-187487).
3.2	Amendment to Certificate of Limited Partnership of Emerge Energy Services LP (incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form S-1, Registration No. 333-187487).
3.3	First Amended and Restated Limited Partnership Agreement of Emerge Energy Services LP, dated as of May 14, 2013 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed with the SEC on May 20, 2013).
3.4	Amendment No. 1 to the First Amended and Restated Agreement of Limited Partnership of Emerge Energy Services LP, dated as of August 15, 2016 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed with the SEC on August 16, 2016).
3.5	Certificate of Limited Formation of Emerge Energy Services GP LLC (incorporated by reference to Exhibit 3.5 to the Registrant's Registration Statement on Form S-1, Registration No. 333-187487).
3.6	Amendment to Certificate of Formation of Emerge Energy Services GP LLC (incorporated by reference to Exhibit 3.6 to the Registrant's Registration Statement on Form S-1, Registration No. 333-187487).
3.7	Amended and Restated Limited Liability Company Agreement of Emerge Energy Services GP, LLC, dated as of May 14, 2013 (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K, filed with the SEC on May 20, 2013).
10.1*†	Sand Supply Agreement, dated May 19, 2017, between Superior Silica Sand and Liberty Oilfield Service, LLC.
10.2*†	Sand Supply Agreement, dated July 19, 2017, between Superior Silica Sand and EP Energy E&P Company, L.P.
31.1*	Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer under Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002.
95.1*	Mine Safety Disclosure Exhibit.
101*	Interactive Data Files - XBRL.

* Filed herewith (or furnished in the case of Exhibits 32.1 and 32.2).

† Certain portions have been omitted pursuant to a confidential treatment request. Omitted information has been separately filed with the Securities and Exchange Commission.

SIGNATURES

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

Date: August 4, 2017

EMERGE ENERGY SERVICES LP

By: EMERGE ENERGY SERVICES GP LLC, its general partner

By: /s/ Rick Shearer

Rick Shearer
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Deborah Deibert

Deborah Deibert
Chief Financial Officer
(Principal Financial Officer)

INDEX TO EXHIBITS

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† Certain portions have been omitted pursuant to a confidential treatment request. Omitted information has been separately filed with the Securities and Exchange Commission.

CERTAIN MATERIAL (INDICATED BY THREE ASTERISKS) HAS BEEN OMITTED FROM THIS DOCUMENT PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

EXHIBIT 10.1

SAND SUPPLY AGREEMENT

This SAND SUPPLY AGREEMENT (this "Agreement"), is entered into effective as of the Effective Date listed on Schedule A hereto (the "Effective Date"), by and between SUPERIOR SILICA SANDS LLC, a Texas limited liability company ("Supplier"), and LIBERTY OILFIELD SERVICES, LLC, a Delaware limited liability company ("Customer"). Any capitalized terms used herein but not otherwise defined herein shall have the meaning set forth on Schedule A hereto the terms of which are incorporated herein by reference. Customer and Supplier may also be referred to hereafter as a "Party" or collectively as the "Parties".

RECITALS

WHEREAS, Supplier is in the business of providing various industrial sands and aggregates to the oilfield production industry and Customer is in the business of performing various services to the oilfield production industry; and

WHEREAS, Customer needs certain sand products related to fracture stimulation, sand controls and related services and Customer wishes to purchase Product (as defined on Schedule A) which meets the Specifications (as defined on Schedule A) from Supplier on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, for and in good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

AGREEMENT

1. Interpretation.

a. **Defined Terms.** In this Agreement, the following terms shall have the following meanings unless the context otherwise requires:

"Affiliate" in relation to Party shall mean any individual, corporation, limited liability company, partnership, proprietorship, joint venture or other entity directly or indirectly controlled by, controlling, or under common control with that Party.

"**Bankruptcy"** means the occurrence of any of the following events with respect to a Party: (a) the filing of an application by the Party for, or a consent to the appointment of, a trustee or receiver of its assets; (b) the filing by the Party of a voluntary petition in bankruptcy or the filing of a pleading in any court of record admitting in writing its inability to pay its debts as they come due; (c) the making by the Party of a general assignment for the benefit of its creditors; (d) the filing by the Party of an answer admitting the material allegations of, or its consenting to, or defaulting in answering, a bankruptcy petition filed against it in any bankruptcy proceeding; or (e) the entry by any court of competent jurisdiction of an order for relief of the Party under Chapter 7 or 11 of United States Code, the entry of any order, judgment or decree having a similar effect under any other applicable law or the entry of any order, judgment or decree appointing a trustee or receiver of the assets of the Party, and any such order, judgment or decree continuing unstayed and in effect for a period of ninety (90) days after the entry.

"**Business Day"** means any day other than Saturday or Sunday or other day upon which national banks in Fort Worth, Texas are permitted or required by law to be closed.

"**Confidential Information**" means the existence, content, or scope of this Agreement, any information regarding the business of the Disclosing Party, and any information regarding the products and services of the Disclosing Party including, without limitation, all (a) technological and specific product secrets, trade secrets, drawings, materials, chemistry, proppant compositions, the chemistry, chemical makeup, chemical combinations, and chemical codes of any compositions or formulations, and other technical data, (b) notes, analyses, compilations or other documents, whether prepared by Receiving Party or the Receiving Party's Representatives, that contain or otherwise reflect the Confidential Information, and (c) the fact that Confidential Information has been made available to the other Party.

*** Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

“**Contract Year”** means as follows: (a) for the first Contract Year, that period commencing on the Effective Date and ending twelve (12) months after the Effective Date; and (b) for the second and any subsequent Contract Years (including during any Renewal Term), that twelve-month period commencing on the day after the end date of the prior Contract Year.

“**FOB”** has the meaning given to it in the Uniform Commercial Code.

“**Force Majeure”** means in relation to any Party, any strikes, lockouts, concerted acts of workmen or other industrial disturbances, fires, explosions, floods, earthquakes or other natural catastrophes, civil disturbance, riots or armed conflict whether declared or undeclared, curtailment, shortage, rationing or allocation of normal sources of supply of labor, materials, transportation, energy or utilities, accidents, Acts of God, acts of terrorism, sufferance of or voluntary compliance with acts of government and government regulations (whether or not valid), embargoes or any other similar or dissimilar cause which is beyond the reasonable control of the affected Party and which could not have been overcome by the exercise of reasonable efforts by such affected Party.

“**Person”** or “**person”** means any entity, including any partnership, corporation, limited liability company or governmental entity, and any natural person.

“**Representatives**” means the directors, officers, employees, Affiliates, agents, representatives, financing sources, advisors, attorneys, accountants and consultants of the applicable party.

“**Term”** means the Initial Term and any Renewal Terms, collectively.

“**Ton”** means US Short Ton, which means 2,000 pounds.

“**Week”** means a seven-day period during the Term commencing on a Sunday and ending on the following Saturday.

b. **Additional Defined Terms**. Additional definitions are set forth in the applicable sections set forth below:

Term	Section
Agreement	Preamble
Annual Tonnage	Section 2.b
Anticipated Ratios	Section 2.c
Customer	Preamble
Customer Samples	Section 6
Demurrage Charges	Section 3
Disclosing Party	Section 9
Effective Date	Preamble
Expected Ratios	Section 2.c
FOB Terminal Pricing	Section 3
Initial Term	Section 2.a
Losses	Section 8
Mesh Size Ratios	Section 2.c
Monthly Tonnage	Section 2.b
Monthly Order	Section 2.b
Non-Conforming Product	Section 7
Overdue Threshold	Section 2.c
Party or Parties	Preamble
Permitted Variance	Section 2.c
Pick Up Location	Section 2.d
Price	Section 5
Product	Recitals
Receiving Party	Section 9
Renewal Term	Section 2.a
Specifications	Recitals
Supplier	Preamble
Supplier Railcars	Section 3
Supplier Samples	Section 6
Supplier’s Facilities	Section 2.c
Supplier’s Terminals	Section 2.d
Supply Cure Period	Section 2.g
Supply Shortfall	Section 2.g

c. **Construction**. As used in this Agreement, unless expressly stated otherwise, references to (a) “including” mean “including, without limitation”; (b) “or” means “either or both”; and (c) a “party” or “Party” mean Customer or Supplier and “parties” or “Parties” mean Customer and Supplier.

2. Production and Supply of Product

a. **Term of Agreement**. The initial term of this Agreement shall commence on the Effective Date, and shall remain in effect for the period set forth on Schedule A (the “Initial Term”) from and after the Effective Date, unless sooner terminated in accordance with Section 11 hereof. This Agreement shall renew automatically for the successive period set forth on Schedule A hereto (the “Renewal Term”), unless either Party gives the other Party written notice of non-renewal at least ninety (90) days prior to the expiration of the then current Term.

b. **Required Tonnage**. Each Contract Year of the Term, Supplier will sell, and Customer will purchase, the minimum tonnage specified on Schedule A (the "Annual Tonnage") upon the terms and conditions as set forth herein. In each month of the Term, Supplier shall use commercially reasonable efforts to fulfill orders up to the monthly tonnage specified on Schedule A (the "Monthly Tonnage") and Customer shall use commercially reasonable efforts to order at least the monthly tonnage specified on Schedule A (the "Monthly Order").

c. **Product Ratios**. Customer shall use commercially reasonable efforts to submit purchase orders to Supplier for Product in the mesh size ratios (the "Mesh Size Ratios"), at the expected ratios (the "Expected Ratios"), each as set forth on Schedule A hereto (collectively, the "Anticipated Ratios"), based on Customer's needs and Supplier's ability to supply such Product in light of its overall production and commitments to other customers; provided, however, that the Parties acknowledge and agree that the ratios of mesh sizes delivered to Customer shall ultimately be determined by the actual ratios of mesh sizes produced at Supplier's facilities designated on Schedule A hereto (the "Supplier's Facilities"). In the event the actual ratios of mesh sizes produced at Supplier's Facilities materially deviate from the Anticipated Ratios, Supplier shall provide written notice of such change to Customer and the Parties shall negotiate in good faith to revise the Anticipated Ratios to reflect actual production from Supplier's Facility. In the event that Customer's purchase orders do not reasonably adhere to the Anticipated Ratios (as may be adjusted from time to time by written mutual agreement of the Parties), Supplier shall have no obligation to (a) furnish the portion of Customer's order not in compliance with the Anticipated Ratios or (b) cure any failure by Supplier to fulfill its Monthly Tonnage or Annual Tonnage requirements.

d. **Purchase Orders.** Customer will purchase Product from Supplier by submitting written purchase orders electronically or in hard copy to Supplier at least twenty-one (21) days in advance. Customer may request additional Product from Supplier, above the Monthly Tonnage, within the twenty-one (21) day period referenced above; provided, however, that Supplier shall have no obligation to supply any additional Product requested by Customer above the Monthly Tonnage within any such period. Customer shall provide Supplier with a binding purchase order specifying (i) the amount and type of Product ordered; (ii) the Supplier's terminal specified on Schedule A hereto (the "Supplier's Terminals") to which the Product will be delivered FOB Supplier's Terminal; and (iii) the time(s) and date(s) during the Week following the date on which the purchase order was submitted that the Product should be delivered to a carrier at the specified Supplier Terminal ("Pick Up Location"). The delivery dates for Customer's purchase orders for the Product must be spread evenly throughout each month during the Term and Customer shall provide Supplier with forecasts and schedules for its purchase orders for Product on at least a bi-monthly basis. In the event that Customer desires to cancel any order it submits to Supplier, Customer must provide written notice of such cancellation to Supplier no less than ten (10) days prior to the shipment of the Product subject to the applicable purchase order. Any routing, cancelation, storage or similar charges or expenses incurred by Supplier in connection with any such cancellation or any diversion or delay of any shipment of Product shall be billed to and paid by Customer.

e. **Invoices; Payment.** Supplier will invoice Customer for (i) Product purchased by Customer within five (5) Business Days after the date that Customer picks up the Product, and (ii) all freight charges (which shall be stated separately from the Product price on the invoice) and all sales or use taxes or applicable import or export taxes and charges (unless Customer provides an appropriate tax exemption certificate) within five (5) Business Days of Supplier being assessed, receiving invoices or remitting payment for any such amounts. Customer must participate in Supplier's electronic invoicing program, as such program may be amended from time to time, and shall take such further actions and execute such further documents as may be reasonably requested by Supplier in connection therewith. Customer shall remit payment to Supplier for all invoices by wire transfer or electronic funds transfer (EFT) of immediately available funds to the Supplier's account in accordance with the wire transfer instructions specified on Schedule A, or any other mutually agreed upon payment form, within thirty (30) days from the date of Customer's receipt of each of Supplier's invoices. To the extent permitted by applicable law, any overdue payments will be subject to finance charges computed at a periodic rate of ***% per month (***% per year). Any time the aggregate amount, including any applicable interest, more than forty (40) days overdue to Supplier hereunder exceeds the threshold set forth on Schedule A (the "Overdue Threshold"), Supplier shall have the right to withhold all shipments to Customer until all such past due amounts have been paid to Supplier; provided, however, that any such withholding shall not relieve Customer of its Monthly Order or Annual Tonnage obligations. Customer shall have the right to dispute in good faith all or any portion of an invoice by providing written notice of such dispute (together with reasonable detail of the facts underlying such dispute) (the "Dispute Notice") to Supplier on or before thirty (30) days after the date of

*** Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Customer's receipt of the invoice. If Customer, in its sole discretion, disputes any portion of an invoice in good faith, Customer shall pay the undisputed portion of any such invoice on or before the applicable due date and Customer and Supplier shall work together to resolve any such dispute within ten (10) days after the date of the Dispute Notice, Supplier will issue an adjustment invoice to Customer, if applicable, and Customer shall pay any remaining amount owing to Supplier with respect to the disputed amount no later than the end of such ten (10) day resolution period.

f. **Monthly True-Up; Order Shortfalls**. Each month, Supplier shall review the purchase orders, excluding any cancelled purchase orders, submitted by Customer to confirm the amount by which, if any, the Customer's order for the prior month (up to the Monthly Order) is less than the Monthly Order (the "Order Shortfall"). If, and only if, Supplier determines, in its sole discretion, that it has the necessary capacity, Customer may cure any such Order Shortfall within thirty (30) days following the last day of the month during which such Order Shortfall occurs (the "Order Cure Period") by ordering the amount of the Order Shortfall in addition to its Monthly Order for the then-current month. In the event that there is an Order Shortfall for any given month which is not cured during the Order Cure Period for any reason, Supplier shall invoice Customer and Customer shall pay to Supplier an amount equal to the Order Shortfall multiplied by $*** per Ton less any Supply Credits which have not been previously utilized by Customer to offset any prior Order Shortfalls.

g. **Order Fulfillment; Supply Shortfalls.** Supplier shall use commercially reasonable efforts to supply Customer's purchase orders in full; provided, however, that in the event that Customer orders at least the Monthly Tonnage in any given month and such tonnage is not supplied by Supplier (the amount by which the Customer's order (up to the Monthly Tonnage) exceeds the amount of Product supplied by Supplier, the "Supply Shortfall"), Supplier may cure such Supply Shortfall within thirty (30) days following the last day of the month during which such Supply Shortfall occurs (the "Supply Cure Period"). Any such Supply Shortfall shall be picked up by Customer at the Pick Up Location specified in the applicable purchase order. In the event that Supplier cures any such Supply Shortfall prior to the expiration of the Supply Cure Period, Supplier shall not be in breach of this Agreement, and Customer shall not have the right to exercise any remedies hereunder. In the event that Supplier does not cure any such Supply Shortfall prior to the expiration of the Supply Cure Period, Customer will receive a credit from Supplier in the amount of the Supply Shortfall and any such credit shall only be used by Customer to offset against an Order Shortfall, if any, incurred during the Term ("Supply Credits"). Notwithstanding anything contained herein to the contrary, in no event shall Supplier be obligated to supply Product to Customer in excess of the Annual Tonnage during any given Contract Year or the Monthly Tonnage during any given month; provided, however, in the event Customer orders Product in excess of the Monthly Tonnage during any Order Cure Period to cure an Order Shortfall and Supplier fails to supply any such excess amount of Product, for any reason, Customer shall owe no money to Supplier pursuant to this Agreement as a result of such Order Shortfall solely with respect to the unfilled amount of any such order in excess of the Monthly Tonnage ordered to remedy such Order Shortfall.

h. **Title, Risk of Loss and Freight Responsibility**. All Product will be shipped FOB to the Pick Up Location. Title and risk of loss or damage to the Product shall pass to Customer at the time the Product is delivered to the carrier at the Pick Up Location. Charges for freight and all related costs for transportation of the Product from the Pick Up Location, to the destination designated by Customer shall be paid by Customer.

3. Delivery of Product. Supplier shall load trucks or railcars at the Pick Up Location, in accordance with Customer's written instructions provided in the applicable purchase order. Customer shall send trucks or covered hopper railcars (such railcars not to exceed 44 feet in length) leased or owned by Customer to the Pick Up Location in sufficient quantities to transport the Product purchased by Customer from the Pick Up Location to the destination designated by Customer. Upon written request by Customer, Supplier shall arrange for the transportation of the Product utilizing railcars owned or managed by Supplier (collectively, the "Supplier Railcars"). The cost of utilizing the Supplier Railcars is included in the FOB terminal pricing specified on Schedule A hereto (the "FOB Terminal Pricing"). All such pricing and other transportation rates shall be adjusted on a quarterly basis as discussed in Section 5 below. Customer will also pay for all related costs including, without limitation, energy surcharges, rail rate increases and switch fees, incurred by Supplier in connection with the transactions contemplated by this Agreement on a cost added basis. Customer shall be listed as "consignee" for any shipments requiring Supplier Railcars. After the first thirty-one (31) days any Supplier Railcar has been constructively placed at the Pick Up Location, Customer shall be responsible for demurrage charges at the rate set forth on Schedule A hereto ("Demurrage Charges"). Customer shall make commercially reasonable efforts to timely pick up all Product to avoid Demurrage Charges and not increase Supplier's Railcars' cycle times.

4. **Supplier Railcar Liability and Indemnification.** Customer shall indemnify Supplier for all damage to the Supplier Railcars caused during the period of time that such Supplier Railcars were utilized by Customer or for the shipment of Product to Customer. Supplier shall be responsible for any demurrage charges with respect to the Product incurred at Supplier's Facility or caused by delays at Supplier's Facility, in each case only when caused by or due to the actions of Supplier. Except as otherwise set forth in this Agreement, each Party shall be liable for and shall defend, indemnify, and hold harmless the other Party from any demurrage charges, excess freight charges, deficiency freight charges, or similar transportation charges incurred by such Party, unless such charges are due to the other Party's gross negligence or willful misconduct or any other actions by the other Party that cause such charges to be incurred. This Section 4 shall survive termination and expiration of this Agreement.

5. **Price; Customer's Financial Information.** The price to be paid by Customer for specific types and grades of Product (the "Price") purchased from Supplier are set forth on Schedule A attached hereto. The Parties will engage in quarterly business reviews of the Price and all related costs and expenses on the fifteenth (15^{th}) day of February, May, August and November of each year during the Term, and will mutually agree to reasonable adjustments to such amounts, as appropriate. Supplier may request updated financials and related information from Customer following the end of each quarter during the Term. If Supplier determines, at any time and in its sole discretion, that there has been a material negative change in the financial position of Customer or if Customer has failed to timely pay more than one invoice, Customer shall provide Supplier with a deposit or letter of credit from a rated financial institution, as requested by and acceptable to Supplier, in its sole discretion. Following any request by Supplier for any such deposit or letter of credit, Supplier shall have no obligation to supply any Product requested by Customer until Supplier has received the deposit or letter of credit, as applicable. In addition to the Price, Customer shall be responsible for all sales or use taxes and all applicable import or export taxes and charges.

6. **Disclaimer of Warranty; Inspection**. Supplier makes no warranties, express or implied, regarding the Product or its fitness for any particular purpose, other than that the Product will meet or exceed the applicable Specifications. Each Party shall carefully inspect the Product for compliance with the Specifications and for the mesh size composition of the Product. Supplier shall take and retain for 180 days samples (the "Supplier Samples") of the Product from each order prior to release of any shipment to a carrier. In addition, Supplier shall provide Customer with a Certificate of Analysis for each order delivered. Customer shall also have the right to take samples (the "Customer Samples") of the Product from each order upon receipt of each shipment at the destination designated by Customer. In the event that the test results obtained from analysis of the Supplier Samples and the Customer Samples, if any, differ by a materially significant amount, Supplier and Customer shall exchange with one another half of their respective samples for analysis. The Parties agree to engage in good faith discussions to resolve any discrepancies in the results of such analysis.

7. **Nonconformity of Product.** Customer may make claims for Product not meeting the Specifications ("Non-Conforming Product") if both Parties' analysis of the Customer Samples demonstrate that the Product in any rail car received from Supplier is Non-Conforming Product. Any such claim must be made in writing by the Customer and received by Supplier within fifteen (15) days from the date of Customer's receipt of the Non-Conforming Product. Supplier's exclusive liability and Customer's sole remedy in connection with any Non-Conforming Product shall be for Supplier to replace any Non-Conforming Product, at no charge to Customer, at Supplier's Facility by such reasonable date as Customer may request, or, at the option of Supplier, and in the event that Customer has already paid for the Non-Conforming Product, to reimburse the Customer for the cost of the Non-Conforming Product only. This provision does not cover nonconformity attributable to causes or occurrences beyond Supplier's control, including, but not limited to, (a) misuse, mishandling, neglect, improper storage, improper transportation, improper alteration or improper application by Customer or by any agent of Customer or (b) unclean or partially-filled railcars or trucks supplied by Customer or Customer's carrier, it being understood that Supplier shall have no obligation to inspect or remove debris from any railcars or trucks supplied by Customer or any of Customer's carriers and Customer shall indemnify and hold Supplier harmless against any Losses attributable thereto.

8. **Indemnification**. EACH PARTY SHALL DEFEND, INDEMNIFY AND HOLD THE OTHER PARTY, ITS AFFILIATES AND ITS AND THEIR RESPECTIVE EMPLOYEES, OFFICERS, DIRECTORS,

REPRESENTATIVES, AGENTS AND INVITEES HARMLESS AGAINST ANY CLAIMS, DEMANDS, CAUSES OF ACTION, JUDGMENTS, PROCEEDINGS, ORDERS, AWARDS, DAMAGES, LOSSES, FINES, PENALTIES, COSTS, EXPENSES AND LIABILITIES, INCLUDING LITIGATION COSTS AND REASONABLE ATTORNEY'S FEES (COLLECTIVELY, "LOSSES"), DUE TO DEATH, ILLNESS OR INJURY, OR PROPERTY LOSS OR DAMAGE, ONLY TO THE EXTENT CAUSED BY (I) THE NEGLIGENT OR WILLFUL ACT OR OMISSION OF SUCH PARTY OR ANY OF ITS EMPLOYEES, OFFICERS, DIRECTORS, REPRESENTATIVES, AGENTS, INVITEES, OR SUBCONTRACTORS UNDER THIS AGREEMENT OR ANY PURCHASE ORDER ACCEPTED BY SUPPLIER, OR (II) SUCH PARTY'S BREACH OF ITS OBLIGATIONS, WARRANTIES OR REPRESENTATIONS IN THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR, AND EACH PARTY RELEASES THE OTHER PARTY FROM LIABILITY ATTRIBUTABLE TO, CONSEQUENTIAL, INCIDENTAL, EXEMPLARY, SPECIAL, PUNITIVE OR INDIRECT DAMAGES ARISING OUT OF THE PERFORMANCE OF THIS AGREEMENT, OR DEFAULT IN THE PERFORMANCE HEREOF, WHETHER BASED UPON CONTRACT, TORT (INCLUDING NEGLIGENCE OR STRICT LIABILITY), WARRANTY OR ANY OTHER LEGAL THEORY, INCLUDING, BUT NOT LIMITED TO, DAMAGES INCURRED BY REASON OF THE TERMINATION, EXPIRATION OR NON-RENEWAL OF THIS AGREEMENT, COMPENSATION, REIMBURSEMENT OR DAMAGES ON ACCOUNT OF THE LOSS OF PROSPECTIVE PROFITS ON ANTICIPATED SALES, OR ON ACCOUNT OF EXPENDITURES, INVESTMENT LOSSES OR COMMITMENTS IN CONNECTION WITH THE BUSINESS OR GOODWILL OF SUPPLIER OR CUSTOMER; PROVIDED, THAT THE FOREGOING LIMITATION DOES NOT AFFECT THE PARTIES' RIGHT TO INDEMNIFICATION WITH RESPECT TO LIABILITIES OWED BY EITHER PARTIES TO THIRD PARTIES FOR CONSEQUENTIAL, INCIDENTAL, EXEMPLARY, SPECIAL, PUNITIVE OR INDIRECT DAMAGES. NOTHING IN THIS SECTION 8 SHALL BE CONSTRUED AS ALTERING THE ALLOCATION OF LIABILITY AND INDEMNIFICATION RESPONSIBILITIES SET FORTH IN SECTION 4, IF APPLICABLE. THIS SECTION 8 SHALL SURVIVE TERMINATION AND OR EXPIRATION OF THIS AGREEMENT.

9. **Confidentiality**. Each Party and its Representatives shall not publicize or disclose any Confidential Information to any third party by any means without first obtaining the prior written consent of the other Party. As the context may require, a Party that discloses information in connection with the transactions contemplated by this Agreement is referred to herein as the "Disclosing Party" and a Party receiving any such information hereunder is collectively referred to herein as the "Receiving Party." This Agreement does not grant any rights from Disclosing Party to Receiving Party or its Representatives with respect to Disclosing Party's Confidential Information, including, without limitation, any patents, trademarks, copyrights, trade secrets or any other intellectual property rights. The foregoing obligations shall not apply to any Confidential Information which: (i) is publicly known or becomes publicly known through no fault of or disclosure by Receiving Party; (ii) is given to Receiving Party by someone other than the Disclosing Party as a matter of right and without restriction of disclosure; (iii) was known to Receiving Party prior to its receipt from Disclosing Party; or, (iv) is legally compelled to be disclosed by Receiving Party. If Receiving Party receives a subpoena, order, notice, process or other legal process seeking disclosure of Confidential Information or if Receiving Party is legally obligated to disclose any Confidential Information pursuant to the rules and regulations of the Securities and Exchange Commission, Receiving Party shall immediately notify Disclosing Party in order to allow Disclosing Party the opportunity to oppose the order, notice, process or disclosure or seek a protective order. If requested by Disclosing Party, Receiving Party shall make commercially reasonable efforts to cooperate with Disclosing Party in contesting such disclosure. Except as such demand shall have been timely limited, quashed or extended, Receiving Party may thereafter comply with such demand, but only to minimum the extent required by law. Where Disclosing Party obtains a protective order, nothing in this Agreement shall be construed to authorize Receiving Party to use in any manner or disclose Confidential Information to parties other than such governmental or judicial agency or body or beyond the scope of the protective order. Disclosures that are made to Receiving Party under this Agreement which are specific shall not be deemed to be within the foregoing exceptions merely because they were embraced by general disclosures that are either in the public domain or in the possession of Receiving Party. In addition, any combination of features shall not be deemed to be within the foregoing exceptions merely because individual features are in the public domain or in the possession of Receiving Party. The obligations in this Section 9 shall survive the termination or expiration of this Agreement. Receiving Party also agrees that its Representatives to whom any Confidential Information is disclosed will be bound by the provisions of this Section 9 and that the Receiving Party will be responsible for any breaches thereby. Receiving Party hereby agrees that the breach of this Section 9 would cause irreparable harm to Disclosing Parties for which money damages would not be adequate compensation. If any Receiving Party, or any Representative thereof, breaches or threatens a breach of the provisions of this Section 9, the Disclosing Party shall be entitled to seek an injunction in any court of competent jurisdiction restraining the Receiving Party and its Representatives from violating the provisions without the necessity of posting a bond or other security therefore. Nothing herein shall be construed as prohibiting the Disclosing Party from pursuing any other remedies available to it at law or in equity.

10. Force Majeure. If either Party is affected by Force Majeure it shall promptly notify the other Party of the nature and extent of the Force Majeure. Notwithstanding any other provision of this Agreement, neither Party shall be deemed to be in breach of this Agreement, or otherwise be liable to the other Party, for any delay in performance or the non-performance of any of its respective obligations under this Agreement (other than Customer's failure to make payments to Supplier hereunder when due), to the extent that the delay or non-performance is due to any Force Majeure, and the time for performance of any such obligations shall be extended accordingly. The cause of the Force Majeure shall so far as possible be remedied with all reasonable dispatch. If any Force Majeure prevails for a continuous period in excess of fourteen (14) days, both Parties' performance hereunder shall be suspended and each Party shall enter into good faith discussions with a view to alleviating its effects, or agreeing upon alternative arrangements.

11. Termination.

a. **Termination by Supplier**. Supplier shall have the right to immediately terminate this Agreement upon the occurrence of any of the following events: (i) Customer's Bankruptcy; (ii) Customer fails to make any payment to Supplier hereunder when due, and such failure continues for a period of ten (10) Business Days after written notice is sent to Customer by Supplier of such failure; or (iii) Customer is affected by Force Majeure, and such Force Majeure has not been remedied within sixty (60) days of the initial occurrence of such event.

b. **Termination by Customer**. Customer shall have the right to immediately terminate this Agreement after the occurrence of any of the following events: (i) Supplier's Bankruptcy; (ii) Supplier's failure to produce and deliver the Product in accordance with its Specifications, and Supplier has been unable to cure such failure to the reasonable satisfaction of Customer within thirty (30) days after written notice from Customer after the expiration of the Supply Cure Period; or (iii) Supplier is affected by Force Majeure, and such Force Majeure has not been remedied within sixty (60) days of the initial occurrence of such event.

c. **Other Breaches**. Each Party each shall have the right to terminate this Agreement for any other breach of this Agreement by the other Party that, if capable of being cured, is not cured within ninety (90) days after written notice thereof is given to such other Party, except as otherwise provided herein.

d. **Continuing Obligations**. Upon termination of this Agreement for any reason, Customer shall purchase from Supplier all Product that has been ordered by Customer pursuant to a purchase order but not delivered to Customer as of the date of the termination, and Supplier shall promptly deliver such Product to Customer. Furthermore, upon termination of this Agreement, all obligations of the Parties arising from this Agreement shall terminate, except for any obligations that are expressly stated as surviving the termination or expiration of this Agreement; provided, that any such termination or expiration shall not relieve either Party from its obligation accruing prior thereto and shall be without prejudice to the rights and remedies of either Party with respect to any antecedent breach this Agreement. This Section 11 shall survive any expiration or termination of this Agreement.

12. Notice. All notices, demands, or other communications to be given or delivered under or by reason of the provisions of this Agreement will be in writing and shall be: (i) delivered personally, (ii) sent by facsimile or electronic transmission (with written confirmation of receipt) or (iii) sent via a nationally recognized overnight courier to the recipient for next Business Day delivery. Such notices, demands and other communications will be sent to each Party at the address set forth on Schedule A.

13. Miscellaneous

a. **Severability**. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated hereby are not affected in any manner materially adverse to either Party. Upon the determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to affect the original intent of the Parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible.

b. **Effect of Waivers**. No failure or delay by any Party in exercising any of its rights under this Agreement shall be deemed to be a waiver of that right, and no waiver by any Party of a breach of any provision of this Agreement shall be deemed to be a waiver of any subsequent breach of the same or any other provision. A Party's failure in any one or more instances to insist upon strict performance of any of the terms and conditions of this Agreement or to exercise any right herein conferred shall not be construed as a waiver or relinquishment of that right or of that Party's right to assert or rely upon the terms and conditions of this Agreement. Any express waiver of a term of this Agreement shall not be binding and effective unless made in writing and properly executed by the waiving Party.

c. **Entire Agreement**. This Agreement constitutes the entire Agreement between the Parties with respect to the subject matter hereof and supersedes any existing agreements between them whether oral or written. In case of a conflict between the terms of this Agreement and any purchase order contemplated hereunder, the terms of this Agreement shall govern.

d. **Legal Representation and Construction**. Each Party hereto has been represented by legal counsel in connection with the negotiation and drafting of this Agreement and any related documents. The Parties acknowledge that each Party and its counsel have reviewed and revised this Agreement and related documents, and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation of this Agreement or any related documents.

e. **Amendments**. This Agreement, including Schedule A hereto, may only be amended, modified or supplemented in a writing properly executed by both Parties. Except as specifically amended, this Agreement shall remain in full force and effect as written.

f. **Counterparts**. This Agreement may be executed simultaneously in two or more counterparts each of which shall be deemed an original, and all of which, when taken together, constitute one and the same document. The signature of any Party to any counterpart shall be deemed a signature to the Agreement and may be appended to any other counterpart.

g. **Jurisdiction And Venue; Choice Of Law**. CUSTOMER AGREES AND ACKNOWLEDGES THAT IT IS TRANSACTING BUSINESS WITH SUPPLIER IN THE STATE OF TEXAS AND THAT THIS AGREEMENT SHALL BE GOVERNED BY, SUBJECT TO, AND CONSTRUED ACCORDING TO THE INTERNAL LAWS, AND NOT THE LAWS RELATING TO CONFLICTS OF LAW, OF THE STATE OF TEXAS. ANY ACTION OR PROCEEDING AGAINST THE PARTIES RELATING IN ANY WAY TO THIS AGREEMENT SHALL BE BROUGHT AND ENFORCED IN THE COURTS OF THE STATE OF TEXAS LOCATED IN HARRIS COUNTY, TEXAS OR (TO THE EXTENT SUBJECT MATTER JURISDICTION EXISTS THEREFOR) IN THE UNITED STATES DISTRICT COURTS FOR THE NORTHERN DISTRICT OF TEXAS, AND THE PARTIES IRREVOCABLY SUBMIT TO THE JURISDICTION OF SUCH COURTS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING. THE PARTIES IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION THAT THEY MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH ACTION OR PROCEEDING IN THE COURTS OF THE STATE OF TEXAS LOCATED IN HARRIS COUNTY OR IN THE UNITED STATES DISTRICT COURTS FOR THE NORTHERN DISTRICT OF TEXAS AND ANY CLAIM THAT ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

h. **Attorneys' Fees**. The Parties shall bear their own costs of, and incidental to, the preparation, execution and implementation of this Agreement. In any action brought pursuant to this Agreement, the prevailing Party shall be entitled to recovery of its costs and expenses, including reasonable attorneys' fees.

i. **Independent Contractor; No Joint Venture**. Each Party is an independent contractor with respect to the other and is not an employee of the other or any of the other's Affiliates, and nothing in this Agreement is intended to constitute a partnership or a master and servant relationship between the Parties. This Agreement shall not be construed as creating a joint venture, partnership or similar relationship between the Parties. Neither Party shall act or be deemed to act on behalf of the other Party or its Affiliates, or have the right to bind the other Party or its Affiliates. Each Party shall remain an independent entity, and act as an independent contractor. Each Party shall at all times during the performance hereof be responsible for the payment of wages and benefits to, and as applicable, tax withholding from, its own employees. Without limiting the generality of the foregoing, the employees and subcontractors engaged by each Party for the performance hereof shall be the direct employees and subcontractors of such Party, and such Party shall remain solely responsible for all matters related to compliance with relevant employment laws.

j. **Assignment; Successors and Assigns**. Neither Party may assign its rights under this Agreement to, or have its obligations assumed by, any other Person without the prior written consent of the other Party and such consent shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, either Party may assign its rights, duties or obligations hereunder to an Affiliate of such Party without the prior written consent of the other Party; provided, that no such assignment shall relieve the assigning Party of its obligations hereunder. This Agreement shall be binding on and inure to the benefit of the Parties and their respective successors and assigns. This Agreement is intended solely for the benefit of the Parties and their respective successors and assigns and nothing in this Agreement shall be construed to create any duty to, or standard of care with reference to, or liability of a Party to, any Person not a party to this Agreement. Nothing in this Agreement shall be deemed to constitute any fiduciary or special relationship or duty among the Parties and each Party may take actions hereunder that are for its own self-interest without any duty or, subject to the express terms of this Agreement, liability to the other Party.

k. **Headings.** The headings of the Articles and Sections of this Agreement are included for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction or interpretation hereof or thereof.

l. **Silica Warning.** Supplier's products contain respirable crystalline silica, which is considered by some sources to be a cause of cancer. Breathing excessive amounts of respirable silica dust can also cause a disabling and potentially fatal lung disease called silicosis, and has been linked by some sources with other diseases. During transportation, use, clean-up or handling, follow all NIOSH and MSHA procedures and recommended practices, including wearing properly-fitted, NIOSH-approved or MSHA-approved air supplied protective equipment in accordance with applicable government regulations and manufacturer instructions. For further information, please refer to the appropriate Material Safety Data Sheet, a copy of which is available from the Supplier upon request. Customer hereby accepts all responsibility to maintain a safe work environment, warn, notify, train and provide all necessary and appropriate NIOSH/MSHA-approved protective equipment to all Persons handling or in the presence of Supplier's products, including the Product, and to enforce the requirement that NIOSH/MSHA-approved protective equipment be used when handling all such products.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have executed this Sand Supply Agreement as of the Effective Date.

SUPPLIER:

SUPERIOR SILICA SANDS LLC,
a Texas limited liability company

By: /s/ Richard J. Shearer
Name: Richard J. Shearer
Title: President & CEO

CUSTOMER:

LIBERTY OILFIELD SERVICES, LLC,
a Delaware limited liability company

By: /s/ Ronald Gusek
Name: Ronald Gusek
Title: President

[Signature Page to Sand Supply Agreement]

*** Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Schedule A

Set forth below are certain terms of the Sand Supply Agreement between the Parties dated as of the Effective Date. This Schedule A, as amended by the Parties in writing from time to time, shall supplement the terms of the Agreement and, in no event, shall it be treated as a separate or standalone agreement by either Party. Capitalized terms used but not otherwise defined in this Schedule A shall have the meaning set forth in the Agreement.

1. Supplier (Preamble):	Superior Silica Sands, LLC, a Texas limited liability company		
2. Customer (Preamble):	Liberty Oilfield Services, LLC, a Delaware limited liability company		
3. Effective Date (Preamble):	February _1_, 2017		
4. Product (Recitals):	Supplier's Industrial Sands and Aggregates		
5. Specifications (Recitals):	The specifications of ISO STANDARD 13503-2, ISO STANDARD 13503-2, and API Recommended Practice 19-O, modified as follows: N/A		
6. Initial Term (§2.a):	Two (2) years		
7. Renewal Term (§2.a):	One, 1-year Renewal Term		
8. Annual Tonnage (§2.b):	***	Tons of Product per Year	
9. Monthly Tonnage (§2.b):	***	Tons of Product per Month	
10. Monthly Order (§2.b):	***	Tons of Product per Month	
11. Mesh Size Ratios (§2.c):	40 / 70 mesh 30 / 50 mesh 20 / 40 mesh 30 / 70 mesh		
12. Expected Ratios (§2.c):	*** *** and *** or *** or *** ***and ***		
13. Supplier's Facilities (§2.c):	New Auburn, WI Plant 140 West Pine St. New Auburn, WI 54757		Barron, WI Plant 1058 US Hwy. 8 Barron, WI 54812
	Kosse Plant 3014 LCR 704 Kosse, Texas 76653		San Antonio Plant 24068 Pleasanton Road San Antonio, Texas 78624
14. Supplier's Terminals (§2.d):	Each of the Supplier's Terminals located at the Supplier's Facilities listed under Item 13 above.		

*** Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

15. Supplier's Wiring Instructions (§2.e): ______________________________

____

16. Overdue Threshold (§2.e): $***

17. FOB Terminal Pricing (§3):

Terminal Location	Product	Price Per Ton
Each of Supplier's Facilities listed under Item 13 above	20/40, 30/50	$***
	30/70, 40/70	$***
	100M	$***

21. Demurrage Charges (§3): $ *** per Supplier Railcar per Day

22. Price (§5): See the FOB Terminal Pricing set forth under Item 17 above.

23. Supplier's Notice Address (§10):

Superior Silica Sands LLC
6000 Western Place, Suite 465
Fort Worth, Texas 76179
Attn: Scott Dickerson
Email: ##########@sssand.com

with a copy to:

Superior Silica Sands LLC
1400 Civic Place, Suite 250
Southlake, Texas 76092
Attn: Robert J. Conner
Email: rconner@insightequity.com

24. Customer's Notice Address (§10):

Liberty Oilfield Services, LLC
950 17th Street, Suite 2000
Denver, CO 80202
Attn: Mrs. Janet Hoffman
Email: #############@libertyfrac.com

with a copy to:
Fox Rothschild, LLP
1225 17th Street, Suite 2200
Denver, CO 80202
Attn: Lindsay Larrick
Email: ########@foxrothschild.com

*** Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

CERTAIN MATERIAL (INDICATED BY THREE ASTERISKS) HAS BEEN OMITTED FROM THIS DOCUMENT PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

EXHIBIT 10.2

SAND SUPPLY AGREEMENT
NO. EPEEP-COMP-SA-4812

This SAND SUPPLY AGREEMENT (together with the Exhibits hereto, the "Agreement"), is entered into as of the 19 day of July, 2017, to be effective as of January 1, 2017 ("Effective Date") by and between **EP Energy E&P Company, L.P.**, a Delaware limited partnership with its principal office located at 1001 Louisiana Street, Houston, Texas 77002 ("Customer") and **Superior Silica Sands LLC,** a Texas limited liability company, with an office located at 6000 Western Place, Suite 465, Ft. Worth, Texas 76107 ("Supplier"). Customer and Supplier are sometimes herein referred to individually as a "Party" and collectively as "Parties."

RECITALS

WHEREAS, Customer is engaged in the oil and gas business, including but not limited to, exploring for and producing oil, gas and other minerals, for itself and for the account of others; and

WHEREAS, Supplier is in the business of providing various industrial sands and aggregates to the oilfield industry; and

WHEREAS, from time to time, Customer desires to purchase Sand from Supplier in accordance with the terms and conditions of this Agreement.

AGREEMENT

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. **Term and Termination**. This Agreement shall commence upon the Effective Date and shall continue in full force and effect until terminated by either Party upon at least thirty (30) days prior written notice to the other Party; provided, however, that if Supplier requests termination of this Agreement while then performing services pursuant to any outstanding Award Letter, the effective date of the termination of this Agreement and any outstanding Award Letter shall be thirty (30) days after completion of services, unless sooner terminated by Customer. Notwithstanding termination of this Agreement, neither Party shall be relieved of any of its respective obligations and liabilities arising hereunder prior to the effective date of such termination.

2. **Definitions**. For purposes of this Agreement, unless otherwise specifically noted herein, the following terms shall have the associated meanings:

"Affiliate" means, in relation to a Party, a Person that, directly or indirectly, (i) is controlled by such Party; (ii) is controlled by another Person who also controls such Party; or (iii) controls such Party; for the purpose of this Agreement, "control" and "controlled" mean direct or indirect ownership of 50% or more of the stock or interests having a right to vote for directors or managers or members of a similar governing body of such company or legal entity.

However, notwithstanding anything to the contrary herein, neither Apollo Global Management, LLC, nor any of its affiliates not owned directly or indirectly by Customer's ultimate parent company (that indirectly owns 100% of Customer) shall be considered an Affiliate of Customer for purposes of this Agreement.

"Award Letter" means an authorization to deliver product (which may be in the form of a purchase order, letter, Award Letter, memorandum, fax or other document) given by Customer.

"Claims" means any and all losses, expenses, costs, damages, liabilities, claims, demands, liens, causes of action, suits, and judgments, of any nature, kind, or description (including, without limitation, reasonable attorneys' fees, costs, fines, penalties and interest), that may be brought or asserted against Indemnitee by any Person.

"Customer Group" means the Customer, its joint owners, co lessees, partners, joint venturers, contractors and subcontractors (but excluding Supplier Group) together with each of their affiliates and the respective owners, shareholders, directors, officers, employees, agents, representatives and invitees of each of the forgoing (and including their respective spouses, dependents, relatives heirs and legal representatives).

"Customer Minimum" means the minimum order required by Customer under this Agreement in accordance with the terms of the then current Award Letter.

"Customer Shortfall" means that amount (in Tons of Sand), set forth in the governing Award Letter.

"Delivery Point" means load point of Sand into trucks or rail cars controlled by Customer or a duly-authorized agent of Customer (as the case may be) or as otherwise specified in the applicable Award Letter.

"Indemnitee" means a Person who is due an indemnification obligation from another Person (Indemnitor) under the terms of this Agreement.

"Indemnitor" means a Person who has an indemnification obligation to another Person (Indemnitee) under the terms of this Agreement.

"Laws" means any laws, statutes, ordinances, orders, rules and/or regulations promulgated, or decree or judgment entered, by any federal, state or local governmental authority.

"Person" means an individual, partnership, joint venture, corporation, limited liability company, trust, association or unincorporated organization, or any other entity, together with any governmental authority.

"Sand" refers to the proppants more specifically described in Exhibit "C" Specifications to this Agreement or as otherwise specified in the applicable Award Letter as may be issued time to time.

"Scope of Supply" means Exhibit "A" Scope of Supply, to this Agreement as may be changed by Award Letter issued time to time.

"Services" means the furnishing of Sand, and or other products relating to the oil and gas business as described in this Agreement or the applicable Award Letter.

"Specifications" means the specifications referenced in Exhibit "C" Specifications, to this Agreement as may be changed in the applicable Award Letter issued time to time. .

"Supplier Group" means Supplier, its partners, and subcontractors, together with each of their Affiliates and the respective owners, shareholders, directors, officers, employees, agents, representatives and invitees of each of the foregoing (and including their respective spouses, dependents, relatives, heirs and legal representatives).

"Supplier Minimum" means that amount (in tons) ordered by Customer under this Agreement in accordance with the terms of the then current Award Letter.

"Supplier Shortfall" means that amount (in tons of Sand) set forth in the governing Award Letter.

"Ton" means two thousand (2000) pounds.

3. **Scope of Agreement.**

(a) Effective as of the Effective Date, this Agreement supersedes that certain Master Services Agreement EPEEP-COMP-SUP-432 entered into September 5, 2014.

(b) During the term of this Agreement, Customer agrees to buy and Supplier agrees to sell Sand in the manner further detailed in Exhibit "A" Scope of Supply to this Agreement.

(c) Sand shall meet the Specifications set forth in Exhibit "C" Specifications and in the quantity commitment to be mutually determined based on Customer's well design and set forth in the applicable Award Letter issued from time to time by Customer.

(d) Although Supplier is considered a "preferred" supplier, it is understood and agreed that Customer is not obligated to procure the Sand or any other materials solely from Supplier. Customer reserves the right to competitively bid for Sand for certain wells or programs at its sole discretion.

4. **Title**. Title to and risk of loss of Sand sold under this Agreement shall pass to Customer upon delivery FOB the Delivery Point.

5. **Price and Transportation Adjustment**

(a) Price. Subject to the terms and conditions of this Agreement, Customer agrees to pay and Supplier agrees to accept as full compensation for the Sand, such sums paid in the manner and amount as set forth in Exhibit "B" Price, as may be amended in the applicable Award Letter issued time to time.

(b) Transportation Adjustment. If during the Term of this Agreement, any railroad providing delivery and transportation services to Supplier increases its rates, tariffs, and/or other fees above those in existence as of the Effective Date, then the prices set forth on Exhibit "B" Price shall be increased by the amount equal to the actual cost increase incurred by Supplier ("Transportation Adjustment"). Supplier shall give Customer notice of any Transportation Adjustment increase within ten (10) business days of Supplier receiving written notice of any applicable increases and shall provide Customer with documentation evidencing such increases with Supplier's first invoice affected by the Transportation Adjustment.

6. **Customer and Supplier Minimum.**

(a) If Customer fails to purchase and take delivery of the Customer Minimum during any contract year and Customer's failure is not due to an event of Force Majeure, such failure to purchase and take delivery by Customer shall not be a breach or default of this Agreement. Rather, such failure to purchase and take delivery by Customer shall entitle Supplier to recover liquidated damages in an amount to be specified in the Award Letter in effect at the time.

(b) If Customer orders and Supplier fails to sell and deliver to Customer the Supplier Minimum during any given contract year and Supplier's failure is not due to an event of Force Majeure, such failure to sell and deliver the Supplier Minimum by Supplier shall not be a breach or default of this Agreement. Rather, such failure to sell and deliver by Supplier shall entitle Customer to recover liquidated damages, with the value of such damages to be detailed in the then current Award Letter. Damages may include an amount to offset any additional cost incurred by Customer due to the purchase of spot tonnage required to replace deficit from Supplier, as more specifically set forth in the applicable Award Letter.

(c) All Sand purchased by Customer shall be shipped to the Delivery Point in railcars supplied by Supplier unless purchased FOB Supplier's mine, or by other industry accepted transportation practices. In the event that Supplier supplied railcars are not available for the shipment of Sand designated for or ordered by Customer and Supplier fails to deliver the ordered Sand, such quantities will apply toward the Customer Minimum.

7. **Billing and Payment; Record Keeping; Audit.**

(a) Invoices. Supplier shall invoice Customer within thirty (30) days after the end of any month in which Supplier delivers Sand to Customer. When invoicing Customer, Supplier shall utilize Customer's electronic invoicing process ("eInvoicing"). All invoices must be rendered within ninety (90) days after the delivery. Invoices must reference charges by Award Letter number, lease name and pad number. Nothwithstanding anything contained herein to the contrary, any invoice not received within ninety (90) days from Sand delivery may not be paid unless there has been advance written consent to such delay by Customer, (UL 38-20-DEF).

(b) Taxes. Supplier is responsible for and agrees to pay directly any severance, ad valorem or other indirect taxes, if any, due in connection with the production of the Sand; provided, however, that state and local sales and use taxes will be invoiced as a separate line item by Supplier and paid by Customer, unless Customer has provided Supplier with written evidence that an exemption from such sales taxes is applicable. When permitted by state law, Customer may provide Supplier with a direct payment permit, exemption certificate or equivalent certificate. When such permit or certificate is so provided, Supplier shall not include sales and/or use taxes in the total amount due to Supplier, however Supplier shall separately state on the invoice the amount of any applicable state and/or local sales/use taxes for which applicable law places the burden on Customer and Customer shall remit any such taxes due directly to the taxing authority.

(c) Payment. Customer shall pay invoices issued by Supplier or its representatives net thirty (30) days after its receipt of a correct invoice. Invoice payment is contingent on the following conditions: (i) the invoice generally conforms to the requirements specified in this Section; and (ii) the volume of Sand invoiced has been delivered and accepted by Customer or Customer's representative. If Customer determines that any invoice does not conform to the requirements in this Section or that any delivery of Sand does not conform to the requirements of this Agreement, Customer must notify Supplier in writing of any such non-conformity and, to the extent possible the Parties must work to resolve any such discrepancies within ten (10) days of the date of such notice. It is understood and agreed, however, that payment by Customer of an invoice shall not constitute a waiver of Customer's right subsequently to audit or otherwise question or contest the amount or correctness of such invoice and to seek reimbursement.

(d) Failure to Pay/Suspension. If Customer fails to pay an undisputed invoiced amount to Supplier within thirty (30) days after the time period provided for in the Agreement, or otherwise fails to comply with its obligations hereunder, Supplier may suspend delivery of any further orders and will not be liable for any Supplier Shortfall as a result of any such suspension; provided, however, that before suspending any deliveries or transload services, Supplier must notify Customer in writing of the payment failure and give Customer a period of seven (7) business days to pay the past-due amounts. In the event Customer disputes any invoice, in whole or in part, Customer shall pay the undisputed portion of such invoice within the applicable payment period, but Customer may withhold payment of the disputed amount or Customer may pay the disputed amount without waiver of any of its rights, including the right to seek reimbursement. Customer shall pay any disputed invoices within seven (7) business days of the resolution of the dispute.

(e) Interest. Interest shall accrue on amounts more than sixty (60) days delinquent, based upon the due date of the invoice, at the lesser of *** percent (***%) per month, or the maximum rate permitted by law, in any event compounded monthly. In the event that any interest charged hereunder exceeds the maximum lawful rate, then the amount of interest shall be reduced so that it is no more than the maximum rate allowed by law so as to avoid the charge of usurious interest and any penalties that may result under the laws of the State of Texas.

(f) Records. Supplier shall keep and maintain sufficient accounting books, records, receipts, and related documents (collectively, "Records") related to its supply of Sand to Customer so as to establish adequate performance under, and compliance with, the terms, conditions and obligations of this Agreement. The Records shall be maintained in accordance with commonly accepted accounting and oilfield industry practices. Supplier shall retain the applicable Records for a period of three (3) years following completion of each order, or for such longer period as may be required by applicable law, and for so long thereafter as a known dispute may exist between the Parties. Customer and its designated representatives shall have the right during reasonable business hours to inspect, copy and audit the Records of Supplier pertaining to Supplier's supply of Sand to Customer, and the Parties' performance, compliance and payment obligations hereunder.

8. **Liens**. In the event that any Sand delivered by Supplier to Customer is not delivered free and clear of all third party liens, Supplier agrees to indemnify and hold harmless Customer from such third party actions and use commercially reasonable efforts to cause any such liens to be released after Supplier's receipt of notice thereof. Supplier shall be entitled to claim, file or enforce any liens when the rights thereto arise from Customer's failure to pay any undisputed amounts owed by Customer or any of its Affiliates to Supplier.

9. **Warranties, Representations, and Covenants of Each Party.** Each Party, as to itself only, warrants, represents, and covenants as follows:

(a) It is duly organized, legally existing and in good standing under the laws of the state of its organization, as first set out above.

(b) It has full power to enter into and perform its obligations under this Agreement.

(c) This Agreement, assuming due authorization, execution and delivery by the other Party hereto, will, when executed, delivered, and accepted, constitute legal, valid and binding obligation of the Parties, enforceable in accordance with its terms, except as limited by bankruptcy, insolvency, fraudulent transfer, reorganization or other similar Laws relating to or generally applicable to creditor's rights and as limited by general equitable principles.

10. **Supplier's Representations, Warranties, Disclaimer and Covenants.** Supplier warrants, represents, covenants, and acknowledges as follows:

(a) To the best of its knowledge, it has applied for and/or obtained all permits, consents, exemptions, waivers, licenses or franchises of any nature whatsoever (collectively, "Permits") necessary for the performance of its obligations hereunder;

(b) It will provide Customer with a safety data sheet for the Sand prior to delivery of the Sand;

(c) All Sand delivered to Customer shall be free of debris, meet the Specifications; and be ready for loading into trucks for 'last mile' delivery to well site for use in the fracturing process.

(d) Supplier makes no warranties, express or implied, regarding the Sand or its fitness for any particular purpose, other than that the Sand will meet or exceed the applicable Specifications. Each Party shall carefully inspect the Sand for compliance with the Specifications and for the mesh size composition of the Sand.

(e) Upon Customer's written request, Supplier shall provide Customer with the name, address, phone number, email address and other contact information requested by Customer relating to any contractor(s) or sub-contractor(s) handling, transporting or that transload Sand purchased by Customer.

11. **Customer's Representations, Warranties, and Covenants and Acknowledgments;**

(a) Customer warrants, represents, and covenants that it shall comply with all federal, state, and local Laws, rules, regulations, ordinances, orders, and permits in connection with its ordering, possession and use of the Sand.

(b) Customer acknowledges that Supplier may have a limited source of Sand, but Customer further acknowledges that in the event Supplier is unable to provide Sand to Customer from current properties as required under this Agreement, Supplier shall in its reasonable discretion have the right to obtain Sand from other locations, or from a third party, and sell such Sand to Customer pursuant to the terms of this Agreement (including pricing terms), provided that the Sand obtained from a location other than the current properties meets the Specifications and that all other terms of this Agreement are satisfied.

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12. **Customer's Assumption of Risk of Use; Warnings and Provisions Regarding Silica.** Subject to Customer's right to inspect, sample and test specific Sand loads upon delivery, Customer acknowledges that:

(a) It has tested samples of the Sand to the extent it deems necessary or appropriate, and acknowledges it has been afforded an adequate opportunity to inspect and evaluate the Sand.

(b) It is satisfied with the Sand, as provided per the Specifications, for the Sand's use for the purpose for which it is purchasing the Sand.

(c) It understands and assumes the risk that the Sand may not produce the results Customer desires on any particular property with respect to which it applies the Sand, and that samples and sold Sand may vary in quality or composition within specification.

(d) Silica Dust. Customer acknowledges and agrees that it understands as follows: (i) proppant used in oil and gas fracturing operations ("Sand"), which Supplier may sell to Customer pursuant to this Agreement may contain respirable crystalline silica dust, or respirable crystalline silica dust may be created during the use of the Sand; (ii) breathing crystalline dust, including, without limitation, respirable crystalline silica dust, is hazardous and can cause severe and permanent lung damage and that breathing the dust can cause silicosis, a lung disease that can cause serious breathing difficulties and death; (iii) breathing crystalline silica dust may cause lung cancer and other diseases; (iv) the Sand shall not be used by Customer, promoted or sold for sandblasting; and (v) Customer shall comply with applicable health and other regulatory standards pertaining to crystalline silica (quartz) dust, i.e., NIOSH and MSHA procedures and recommended practices. Supplier shall provide a Safety Data Sheet to Customer for any and all Sand sold to it hereunder prior to delivery of such Sand.

(e) The Parties agree to comply with all of the terms of this Agreement and applicable Laws regarding Sand and exposure to crystalline silica and the Parties' operations relating to Sand and those relating to environmental exposure, disposal, spills and cleanup, health and safety, storage, packaging, labeling, transportation, and purchase and sale of Sand."

(f) The terms of this Section 12 shall survive any termination or expiration of this Agreement.

13. **Force Majeure.**

(a) Except for payment obligations set forth herein, neither Party shall be liable for its failure to perform its obligations hereunder to the limited extent that such failure is due to an event of Force Majeure (as defined below); provided, however, that (i) such non-performance shall only be permitted during the duration of the event of Force Majeure, and (ii) a Party legitimately claiming Force Majeure shall be obligated to remedy the applicable event of Force Majeure with all reasonable and diligent dispatch; and provided, further, that the Party claiming Force Majeure shall take all commercially reasonable actions that may be necessary or advisable to mitigate the negative impact of the event of Force Majeure on the other Party.

(b) As used herein, "**Force Majeure**" means unforeseeable events of nature (including severe weather and flooding), acts of God, sabotage, wars, riots, epidemics, landslides, lightning, earthquakes, fires, storms and storm warnings, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, any legislative, governmental or judicial actions which are resisted in good faith, acts of the public enemy, wars or any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the reasonable control of the Party claiming Force Majeure; provided, however, that the term "Force Majeure" shall never include any cause within the control of the Party claiming Force Majeure and which by exercise of due diligence the Party claiming Force Majeure could have been prevented or avoided. Force Majeure does not include, as to either Party, economic hardship, change in industry conditions, or any change in Sand requirements.

(c) A Party claiming Force Majeure shall: (i) notify the other Party in writing of the event of Force Majeure as promptly as possible, and (ii) provide in such notice reasonably sufficient details as to the cause and expected duration of the Force Majeure. Notwithstanding the foregoing, the timely provision of such notification shall not be deemed a prerequisite to the claiming Party's right to be excused from performance and liability as provided in this Agreement.

(d) If an event of Force Majeure continues for a period of at least ninety (90) days, then the Party not claiming Force Majeure may, at its option, immediately upon written notice to the other Party, terminate this Agreement.

(e) Notwithstanding anything to the contrary herein, in the event either Party terminates this Agreement pursuant to this Section, then the Party terminating this Agreement shall have no obligation to make any Shortfall Liquidated Damages Payment for the period starting at the beginning of the Force Majeure and continuing thereafter.

14. **Defaults.**

(a) In the event that Sand delivered to Customer contains debris or fails to meet Specifications when verified by a qualified third party testing entity, Customer shall notify Supplier of such nonconformance within five (5) business days of observing debris or receiving the third party test reports. Upon receipt of such notice, Supplier, at its sole cost and expense will remedy the non-conformance as appropriate by; (i) inspecting the facility which supplied the Sand and the transload facility, if any, used to deliver the Sand to determine the cause of the introduction of debris into the Sand and take reasonable steps to correct it; and/or (ii) promptly delivering substitute Sand to Customer which meets the Specifications; or (iii) refunding any amounts paid by Customer to Supplier for any such non-conforming Sand. The foregoing remedies shall be Customer's sole remedy in connection with any such non-conforming Sand. Notwithstanding the foregoing, in no event shall Supplier be liable to Customer for any nonconformities attributable to causes or occurrences beyond Supplier's control, including, but not limited to, (1) misuse, mishandling, neglect, improper storage, improper transportation, improper alteration or improper application by Customer, its Affiliates or by any agents thereof or (2) unclean or partially-filled railcars or trucks supplied by Customer or Customer's carrier, it being understood that Supplier shall have no obligation to inspect or remove debris from any railcars or trucks supplied by Customer or any of Customer's carriers.

(b) In the event either Party shall (i) make an assignment or any general arrangement for the benefit of creditors; (ii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iii) otherwise become bankrupt or insolvent (however evidenced); (iv) be unable to pay its debts as they fall due; or (v) have a receiver, provisional liquidator, conservator, custodian, trustee or other similar official appointed with respect to it or substantially all of its assets, then the other Party shall have the right to immediately terminate this Agreement.

(c) Nothing in this Section shall preclude Supplier or Customer from seeking equitable remedies to protect their interests hereunder.

(d) Unless otherwise expressly provided herein, termination of this Agreement under this Section shall be without prejudice to any other rights or remedies to which the parties may be entitled, including the right to damages.

(e) Notwithstanding anything to the contrary herein, in the event either Party terminates this Agreement pursuant to this Section, then the Party terminating this Agreement shall have no obligation to make any payment to the other with respect to the Customer Shortfall or Supplier Shortfall, as applicable, arising out of the default circumstance.

15. **Further Assurances.** Without further consideration, each Party shall take such further actions and execute such further documents as may be reasonably requested by the other Party in order to effectuate the purpose and intent of this Agreement.

16. **Notices.**

(a) All notices, requests, consents, approvals, disclosures, offers, submissions, commitments, waivers, reports, exceptions, agreements, modifications, and other required or permitted communications of any nature ("Notices") hereunder shall be in writing and shall be addressed to the Party as set forth below. All Notices shall be given by: (i) personal delivery, (ii) electronic communication, provided the transmitting device used by the Party provides documentary confirmation of receipt, (iii) certified mail return receipt requested or (iv) a nationally recognized overnight courier service.

(b) All Notices shall be effective and shall be deemed delivered (i) if by personal delivery or by overnight courier, on the date of delivery if delivered on or before 5:00 p.m. on such day; otherwise, it shall be deemed to have been delivered on the next business day following delivery, (ii) if by electronic communication, on the day of receipt unless received after 5:00 p.m., in which event it shall be deemed to have been received on the next business day following receipt of the electronic communication, and (iii) if solely by certified mail return receipt requested, upon the earlier of delivery or five days after deposited in the U.S. Mail, postage paid and properly addressed.

(c) Notices shall be directed as follows. A Party may change its address by providing Notice to the other Party.

If to Supplier: Superior Silica Sands LLC
Attention: Rick Shearer
Address: 6000 Western Place, Suite 465
Fort Worth, Texas 76107
Telephone: 817-841-8072
Email: rick@sssand.com

If to Customer: EP Energy E&P Company, L.P.
Attention: Tanda Fiocchi
Address: PO Box 4660
Houston, TX 77210-4660
Telephone: 713-997-4732
Email: #############@epenergy.com

17. **Governing Law; Venue; and Attorney's Fees.**

(a) This Agreement shall be governed by and interpreted in accordance with the Laws of the State of Texas, without regard to its choice of law provisions.

(b) Venue for the resolution of all disputes hereunder shall exclusively be in a state or federal court of competent jurisdiction in Harris County, Texas and in such event that litigation is in a court in Harris County, Texas, the Parties shall submit to personal jurisdiction in Harris County, Texas; provided, however, that the foregoing shall not be construed to limit the rights of a Party to enforce a judgment or order from a Harris County court in another jurisdiction.

(c) The Parties agree to waive trial by jury.

(d) In the event of a dispute between the Parties resulting in litigation, the prevailing Party shall be entitled to an award of reasonable attorney's fees and costs.

18. **Entire Agreement; Successors and Assigns; Amendment and Waiver.**

(a) Entire Agreement. This Agreement, including the Exhibits hereto, together with all Award Letters entered into in connection herewith constitute the entire agreement between the Parties with respect to the subject matter of this Agreement and supersedes all prior negotiations, discussions, agreements and understandings, whether oral or written, relating to such subject matter.

(b) Assignment. Neither Party may assign its rights or obligations hereunder without the other Party's written consent, which consent shall not be unreasonably withheld, conditioned, or delayed. Notwithstanding the foregoing, either Party may assign its rights, duties or obligations hereunder to an Affiliate of such Party without the prior written consent of the other Party; provided, that no such assignment shall relieve the assigning Party of its obligations hereunder.

(c) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns.

(d) Amendment. No amendment or modification to this Agreement or any Award Letter entered into in connection herewith, shall be effective unless in writing and signed by both Parties.

(e) Waiver. No waiver by a Party of any breach by the other Party of any provision of this Agreement shall be deemed a waiver of any preceding or succeeding breach of the same or any other provisions hereof. No such waiver shall be effective unless in writing and then only to the extent expressly set forth in writing.

19. **Confidentiality.** Each Party, its Affiliates and representatives shall not publicize or disclose any Confidential Information to any third party by any means without first obtaining the prior written consent of the other Party. As the context may require, a Party that discloses information in connection with the transactions contemplated by this Agreement is referred to herein as the "Disclosing Party" and a Party receiving any such information hereunder is collectively referred to herein as the "Receiving Party." This Agreement does not grant any rights from Disclosing Party to Receiving Party or its representatives with respect to Disclosing Party's Confidential Information, including, without limitation, any patents, trademarks, copyrights, trade secrets or any other intellectual property rights. The foregoing obligations shall not apply to any Confidential Information which: (i) is publicly known or becomes publicly known through no fault of or disclosure by Receiving Party; (ii) is given to Receiving Party by someone other than the Disclosing Party as a matter of right and without restriction of disclosure; (iii) was known to Receiving Party prior to its receipt from Disclosing Party; or, (iv) is legally compelled to be disclosed by Receiving Party. If Receiving Party receives a subpoena, order, notice, process or other legal process seeking disclosure of Confidential Information, Receiving Party shall immediately notify Disclosing Party in order to allow Disclosing Party the opportunity to oppose the order, notice, or process or seek a protective order. Except as such demand shall have been timely limited, quashed or extended, Receiving Party may comply with such demand, but only to the minimum extent required by law. Where Disclosing Party obtains a protective order, nothing in this Agreement shall be construed to authorize Receiving Party to use in any manner or disclose Confidential Information to parties other than such governmental or judicial agency or body or beyond the scope of the protective order. Any combination of features shall not be deemed to be within the foregoing exceptions merely because individual features are in the public domain or in the possession of Receiving Party. The obligations in this Section shall survive the termination or expiration of this Agreement. Receiving Party also agrees that its representatives to whom any Confidential Information is disclosed will be bound by the provisions of this Section and that the Receiving Party will be responsible for any breaches thereby. If any Receiving Party, or any representative thereof, breaches or threatens a breach of the provisions of this Section, the Disclosing Party shall be entitled to seek an injunction in any court of competent jurisdiction restraining the Receiving Party and its representatives from violating the provisions without the necessity of posting a bond or other security therefore. Nothing herein shall be construed as prohibiting the Disclosing Party from pursuing any other remedies available to it at law or in equity. For the purposes of this Agreement, "Confidential Information" means the specific content, or scope of this Agreement, any information regarding the business of the Disclosing Party, and any information regarding the products and services of the Disclosing Party, not already in the public domain, including, without limitation, all (a) technological and specific product secrets, trade secrets, drawings, materials, chemistry, proppant compositions, the chemistry, chemical makeup, chemical combinations, and chemical codes of any compositions or formulations, and other technical data, (b) notes, analyses, compilations or other documents, whether prepared by Receiving Party or the Receiving Party's representatives, that contain or otherwise reflect the Confidential Information, and (c) the fact that Confidential Information has been made available to the other Party. The terms of this Section shall survive any termination or expiration of this Agreement.

20. **Relationship with Customer**. Supplier shall conduct its relationship with Customer and Customer's employees in a fair, equitable and ethical manner consistent with good business practices.

21. **Cumulative Rights.** The rights, obligations and remedies created by this Agreement are cumulative and in addition to any other rights, obligations or remedies otherwise available at Law or in equity. Unless expressly provided otherwise: (a) no right or remedy conferred by this Agreement shall be exclusive of any other right or remedy now or hereafter available at law or in equity, and (b) no provision hereof regarding remedies shall be construed as a limitation on the nature of the remedies to which a Party may be entitled with respect to a breach of this Agreement.

22. **Section Headings; Appendices; and Construction.** The section headings herein are for reference only and have no legal significance. The provisions of the Exhibits hereto shall be incorporated herein by reference. The Parties agree that each has had the opportunity to review this Agreement and seek the advice of counsel and that this Agreement shall not be construed against one Party or the other as the drafter of this Agreement.

23. **Survival of Terms.** The provisions of this Agreement which are intended to extend beyond its termination, including without limitation, liability, indemnity, confidentiality, and the warranties and representations of each Party along with the provisions applicable to the enforcement of those provisions and/or the enforcement of rights and obligations shall survive the termination of this Agreement. The termination of this Agreement also shall not relieve either Party from any liability or obligation hereunder, resulting from acts, omissions, or events occurring prior to such termination, or as to which a Party is expressly committed even after termination.

24. **Severability.** If any provision hereof is held to be invalid or unenforceable in whole or in part in any relevant jurisdiction, such provision, only to the extent invalid or unenforceable, shall be severable from this Agreement, and the other provisions of this Agreement (along with the provision at issue, to the extent that it would be valid and enforceable, and such provision shall be deemed to be so reformed) shall remain in full force and effect in such jurisdiction and the remaining provisions hereof shall be liberally construed to carry out the purpose and intent of this Agreement. The invalidity or unenforceability, in whole or in part, of any provision of this Agreement in any relevant jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction, nor shall the invalidity or unenforceability of any provision of this Agreement with respect to any person or entity affect the validity or entity or enforceability of such provision with respect to any other person or entity.

25. **No Third Party Beneficiaries.** This Agreement shall be construed to benefit the Parties and their respective successors and assigns only, and shall not be construed to create third party beneficiary rights in any other party.

26. **No Partnership.** Nothing herein shall be deemed to: (a) constitute either Party the partner, joint-venturer, agent, or legal representative of the other, or (b) create or fiduciary relationship between the Parties. The Parties do not intend to create, and this Agreement shall not be construed to create, any mining, commercial or other partnership or joint venture. Neither Party shall act for or assume any obligation or responsibility on behalf of the other Party, unless and as otherwise expressly provided herein.

27. **Counterparts**. This Agreement may be executed in one or more separate counterparts, all of which shall constitute one and the same agreement. This Agreement may be executed and delivered by facsimile or similar electronic means (including, without limitation, Adobe Portable Document Format ("PDF") or other similar types of electronic scan programs), and the Parties agree that such execution and delivery shall have the same force and effect as delivery of an original document with original signatures and that each Party may use such signatures as evidence of the execution and delivery of this Agreement by the Parties to the same extent that an original signature could be used.

28. **Limitation on Damages**. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL, EXEMPLARY, OR PUNITIVE DAMAGES RESULTING FROM OR

ARISING OUT OF THIS AGREEMENT OR THE PERFORMANCE OF THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS OR BUSINESS INTERRUPTIONS, HOWEVER THE SAME MAY BE CAUSED. THE WAIVER OF DAMAGES CONTAINED IN THIS SECTION SHALL SURVIVE ANY TERMINATION OF THIS AGREEMENT.

(Signature Page Follows)

IN WITNESS WHEREOF, the Parties have executed this Agreement to be effective as of the Effective Date.

SUPPLIER: **CUSTOMER:**

Superior Silica Sands LLC EP Energy E&P Company, L.P.

By: /s/ Richard Shearer By: /s/ Scott R. Forbes
Name: Richard Shearer Name: Scott R. Forbes
Title: CEO Title: Director Supply Chain Management
as Agent and Attorney in Fact

EXHIBIT "A" SCOPE OF SUPPLY

Supplier shall deliver and Customer shall receive Sand in compliance with specifications, free of debris and ready to be used in the oil well fracturing process, as ordered time to time. All Sand purchased by Customer will be FOB the delivery points set forth on Exhibit "B" Price or the then current Award Letter which may be issued time to time.

EXHIBIT "B" PRICING

Pricing in this Exhibit may be considered baseline. Negotiated pricing will be shown in the authorizing Award Letter, and if different, shall control for the effective period of the authorization.

EXHIBIT ”C” SPECIFICATIONS

Supplier is to provide Sand, free of debris and ready for use in the oil well fracturing process. The specifications of size and type of Sand shall be detailed in each Award Letter to this Agreement.

Exhibit "A" Scope of Work

Term
 	
Scope of Supply
	• Term of this Award will be three (3) years effective January 1, 2017. Volume shall be based on the Completions Schedule as developed and to be provided time to time.
	  ◦ 2017 *** ton annual requirement
	  ◦ 2018 *** ton annual requirement
	  ◦ 2019 *** ton annual requirement
	• Product Ratio –
	  ◦ *** Ratio of *** and *** mesh. *** mesh will come from both WI and TX mines at an approximate *** ratio to be agreed to by both parties, based on customer requirement and production availability.
	• Shipments –
	  ◦ Shipment of products will be scheduled evenly throughout the annual term as much as practicable, in keeping with Customer Completions Schedule.
	  ◦ 2017 – Monthly Shipments shall be authorized via orders from Customer. Forecast of requirements and Completions Schedules will be provided as updated or at least monthly.
	  ◦ Planned requirements as of January 1, 2017
	    § January - Actual volumes shipped.
	    § February – Actual volumes shipped.
	    § March – Actual volumes shipped.
	    § April – December – TBD. As set forth in Exhibit “D”
	  ◦ 2018 and 2019 schedules shall be developed and provided as soon as practicable with best efforts to provide estimated requirements 6 months in advance, but not later than one quarter in advance. Customer will make Supplier aware of material changes in shipping requirements as soon after they are known as possible to help facilitate handling, i.e., resale, etc. Forward year requirements typically available to be provided at the end of third quarter of current year.
	• Volume Reconciliation
	  ◦ In circumstance of Customer shortfall, as determined by quarterly and annual reconciliation, Customer will pay to Supplier $*** / ton penalty as an infrastructure recovery fee (“Recovery Fee”).
	  ◦ A quarterly reconciliation will be used to identify Customer and Supplier shortfalls for the preceding quarter. The annual reconciliation will consider all activity for the year and make final determination of the amount of Recovery Fee due from Customer, if any.
	  ◦ In circumstance of Supplier shortfall, the shortfall amount shall be used to offset shortfall by Customer, if any. No Recovery Fee to be charged to Customer for Supplier shortfall.
	  ◦ Both Supplier and Customer agree to attempt to mitigate any shortfall volume for the other prior to reconciliation, i.e., Supplier will sell Customer volume to another customer and Customer will attempt to utilize product on other wells not on the schedule for the reconciliation period.
	  ◦ Supplier offers up to ***% overship capability in a period to mitigate shortfall tonnage assessed against Customer or Supplier. If Supplier has more than ***% of scheduled tonnage available, Customer may order such tonnage if needed.
	  ◦ In such circumstance that Customer is required to replace Supplier shortfall volume at a higher cost than pricing in this agreement, Supplier and Customer shall discuss at the annual reconciliation and determine the amount due to Customer from Supplier for the difference in cost. In no instance shall the amount be greater than $*** / ton.
	  ◦ Assuming Customer meets their annual requirement early, by receiving more tonnage than what an even monthly shipment distribution throughout the year would indicate, Customer shall not pay a Recovery Fee for later months when no product is shipped.
	  ◦ Should Customer not require product for some period during the year and incur a shortfall at a quarterly reconciliation, but subsequently meet all tonnage commitments by the end of the year; Customer shall pay no Recovery fee to Supplier.

*** Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

<u>Pricing & Review</u>	• Pricing shall be as shown in Exhibit "B" Pricing to the Award Letter, attached thereto and incorporated thereby. • Quarterly pricing. The intent is to have quarterly adjustment discussions and adjustments as appropriate. However the review date for the initial pricing adjustment discussion will be July 1 for an August 1, adjustment. There forward, discussions may begin, November 15th for Q1 of 2018 and February 15th for Q2 of 2018. • Prices shall be subject to adjustment (up or down) from the baseline costs of Product at FOB point. Such adjustment shall be mutually agreed upon, based on then current market pricing for the Product in Canada and the United States, provided that the adjustment to the Prices at any Adjustment Date shall not cause an adjustment that exceeds $*** (up or down) annually per the calendar year.
<u>Other Terms and Conditions</u>	• For accounts receivable balances in excess of $*** and /or over 30 days past due, Supplier reserves the right to suspend shipments until balance is brought current, unless the past due balance is the result of a validly disputed invoice (details to be agreed upon). Customer must notify Supplier of any discrepancy in writing and both companies agreed to make best efforts to resolve these in 10 days. • Terms net 30 days with ***% interest payment charge per month on undisputed balances past due more than 60 days . • If there is any material negative change in the financial position of Customer or repeated instances of materially late payments, the Parties shall meet to discuss the continuation of business, the right of Supplier for proof of solvency and such assurances to Supplier as both may agree. • Should Customer divest of assets during the term of this Award, annual tonnage commitments shall be reduced pro rata for the area of the divestiture, as designated by the Completions Schedule regional useage information. Customer will attempt to include in the agreement with the purchasing party, assignment of the pro rata tonnage. Absent that success, Customer and Supplier will meet to discuss increasing Customer's following year tonnage commitment by that amount, in which case the Award would be amended to show the revised commitment. Absent success in the activities above, the tonnage shall be addressed as a Customer shortfall. • Electronic payments required in conjunction with payment terms. • For Customer caused delays, from the point of Constructive Placement, a late charge of $***/car/day for 16-30 days and 31+ days $*** per car per day will be applied to Customer account. • Should energy surcharges, rail rate increases, including storage, etc. occur, they will be passed through to customer with documentation from such increases and fees to Supplier as back up. In such instance of Customer caused diversion fees, delays, etc. i.e., reasons such as material schedule changes or cancelations, Supplier agrees to attempt to mitigate the delays or interruption by selling the Customer allocation(s) to other customers. • Supplier shall not charge and Customer shall not receive a Cancelation fee for Northern White or Texas tonnage when cancelled with ten (10) day advance notification.

Agreed and Accepted: Agreed and Accepted:

/s/ Rick Shearer__________________ /s/ Scott R. Forbes_____________
Rick Shearer Scott R. Forbes
CEO Superior Silica Sand Director Supply Chain Management
As Agent and Attorney in Fact
EP Energy E&P Company, L. P.

Date: July 19, 2017______________ Date: July 19, 2017 ___________

*** Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

EXHIBIT 31.1

CERTIFICATION

I, Rick Shearer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Emerge Energy Services LP;

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

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

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

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

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

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

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

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

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

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

Date: August 4, 2017

/s/ Rick Shearer

Rick Shearer

President and Chief Executive Officer of Emerge Energy Services GP LLC
(the general partner of Emerge Energy Services LP)
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Deborah Deibert, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Emerge Energy Services LP;

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

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

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

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

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

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

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

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

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

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

Date: August 4, 2017

/s/ Deborah Deibert

Deborah Deibert

Chief Financial Officer of Emerge Energy Services GP LLC (the general partner of Emerge Energy Services LP) (Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Emerge Energy Services LP (the "Partnership") on Form 10-Q for the quarterly period ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Rick Shearer, President and Chief Executive Officer of Emerge Energy Services GP LLC, the general partner of the Partnership, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that:

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

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

Date: August 4, 2017

By: /s/ Rick Shearer

Rick Shearer

President and Chief Executive Officer of Emerge Energy Services GP LLC (the general partner of Emerge Energy Services LP)

The foregoing certification is being furnished to the U.S. Securities and Exchange Commission as an exhibit to the Report.

EXHIBIT 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Emerge Energy Services LP (the “Partnership”) on Form 10-Q for the quarterly period ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Deborah Deibert, Chief Financial Officer of Emerge Energy Services GP LLC, the general partner of the Partnership, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (“Section 906”), that:

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

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

Date: August 4, 2017

By: /s/ Deborah Deibert

Deborah Deibert

Chief Financial Officer of Emerge Energy Services GP LLC (the general partner of Emerge Energy Services LP)

The foregoing certification is being furnished to the U.S. Securities and Exchange Commission as an exhibit to the Report.

Exhibit 95.1

MINE SAFETY DISCLOSURES

The following disclosures are provided pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K, which requires certain disclosures by companies required to file periodic reports under the Securities Exchange Act of 1934, as amended, that operate mines regulated under the Federal Mine Safety and Health Act of 1977 (the "Mine Act").

Mine Safety Information

Whenever MSHA believes a violation of the Mine Act, any health or safety standard or any regulation has occurred, it may issue a citation which describes the alleged violation and fixes a time within which the U.S. mining operator must abate the alleged violation. In some situations, such as when MSHA believes that conditions pose a hazard to miners, MSHA may issue an order to remove miners from the area of the mine affected by the condition until the alleged hazards are corrected. When MSHA issues a citation or order, it generally proposes a civil penalty, or fine, as a result of the alleged violation, that the operator is ordered to pay. Citations and orders can be contested and appealed, and as part of that process, may be reduced in severity and amount, and are sometimes dismissed. The number of citations, orders and proposed assessments vary depending on the size and type (underground or surface) of the mine as well as by the MSHA inspector(s) assigned.

Mine Safety Data

The following provides additional information about references used in the table below to describe the categories of violations, orders or citations issued by MSHA under the Mine Act:

· *Section 104 S&S Citations*: Citations received from MSHA under section 104 of the Mine Act for violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard.

· *Section 104(b) Orders*: Orders issued by MSHA under section 104(b) of the Mine Act, which represents a failure to abate a citation under section 104(a) within the period of time prescribed by MSHA. This results in an order of immediate withdrawal from the area of the mine affected by the condition until MSHA determines that the violation has been abated.

· *Section 104(d) Citations and Orders*: Citations and orders issued by MSHA under section 104(d) of the Mine Act for unwarrantable failure to comply with mandatory health or safety standards.

· *Section 110(b)(2) Violations*: Flagrant violations issued by MSHA under section 110(b)(2) of the Mine Act.

· *Section 107(a) Orders*: Orders issued by MSHA under section 107(a) of the Mine Act for situations in which MSHA determined an "imminent danger" (as defined by MSHA) existed.

The following table sets out information required by the Dodd-Frank Act for the three months ended June 30, 2017. The mine data retrieval system maintained by MSHA may show information that is different than what is provided herein. Any such difference may be attributed to the need to update that information on MSHA's system and/or other factors. The table also displays pending legal actions before the Federal Mine Safety and Health Review Commission (the "Commission") that were initiated during the three months ended June 30, 2017 as well as total pending legal actions that were pending before the Commission as of June 30, 2017, which includes the legal proceedings before the Commission as well as all contests of citations and penalty assessments which are not before an administrative law judge. Any such pending legal actions constitute challenges by us of citations issued by MSHA.

Mine or Operating Name and MSHA Identification Number	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed ($)	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violations Under Section 104(e) (yes/no)	Received Notice of Potential to Have Pattern Under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
Independence Mine (#4703728)	—	—	—	—	—	$—	—	No	No	—	—	—
Arland Wet Plant (#4703662) (Midwest Frac)	—	—	—	—	—	$232	—	No	No	2	2	—
Thompson Hills (#4703718)	—	—	—	—	—	$—	—	No	No	—	—	—
Dry Plant (#4703620) (New Auburn)	—	—	—	—	—	$—	—	No	No	—	—	1
FLS Mine/Wet Plant (#4703670) (Barron/Clinton)	—	—	—	—	—	$—	—	No	No	—	—	—
Clinton Dry Plant (#4703671) (Barron/Clinton)	—	—	—	—	—	$—	—	No	No	—	—	5
Kosse Mine (#4104312)	4	—	—	—	—	$3,575	—	No	No	7	7	—
LP Mine Site and Wet Plant (#4703707)	—	—	—	—	—	$—	—	No	No	—	—	—
Arland Dry Plant (#4703720)	—	—	—	—	—	$—	—	No	No	—	—	—
Chippewa Sand (#4703607) (New Auburn)	—	—	—	—	—	$—	—	No	No	—	—	—
San Antonio (#4101126)	—	—	—	—	—	$232	—	No	No	2	2	—