INDEPENDENCE CONTRACT DRILLING

20th Annual B. Riley FBR Investor Conference

May 23, 2019

ENERGYPOINT RESEARCH INC
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LAND DRILLERS
Customer Satisfaction
2018-19

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Preliminary Matters

Various statements contained in this presentation, including those that express a belief, expectation or intention, as well as those that are not statements of historical fact, are forward-looking statements. These forward-looking statements may include projections and estimates concerning the timing and success of specific projects and our future revenues, income and capital spending. Our forward-looking statements are generally accompanied by words such as "estimate," "project," "predict," "believe," "expect," "anticipate," "potential," "plan," "goal," "will" or other words that convey the uncertainty of future events or outcomes. The forward-looking statements in this presentation speak only as of the date of this presentation; we disclaim any obligation to update these statements unless required by law, and we caution you not to rely on them unduly. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. These and other important factors, including those discussed under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Company's filings with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K, may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, contingencies and uncertainties include, but are not limited to, the following:

- a decline in or substantial volatility of crude oil and natural gas commodity prices;
- a sustained decrease in domestic spending by the oil and natural gas exploration and production industry;
- decline in or substantial volatility of crude oil and natural gas commodity prices;
- our inability to implement our business and growth strategy, including plans to upgrade and convert SCR rigs acquired in the Sidewinder Drilling LLC combination;
- fluctuation of our operating results and volatility of our industry;
- inability to maintain or increase pricing on our contract drilling services;
- delays in construction or deliveries of reactivated, upgraded, converted or new-build land drilling rigs;
- the loss of customers, financial distress or management changes of potential customers or failure to obtain contract renewals and additional customer contracts for our drilling services;
- an increase in interest rates and deterioration in the credit markets;
- our inability to raise sufficient funds through debt financing and equity issuances needed to fund future rig construction projects;
- additional leverage associated with borrowings;
- our inability to comply with the financial and other covenants in debt agreements that we may enter into as a result of reduced revenues and financial performance;
- overcapacity and competition in our industry; unanticipated costs, delays and other difficulties in executing our long-term growth strategy;
- the loss of key management personnel;
- new technology that may cause our drilling methods or equipment to become less competitive;
- labor costs or shortages of skilled workers;
- the loss of or interruption in operations of one or more key vendors;
- the effect of operating hazards and severe weather on our rigs, facilities, business, operations and financial results, and limitations on our insurance coverage;
- increased regulation of drilling in unconventional formations;
- the incurrence of significant costs and liabilities in the future resulting from our failure to comply with new or existing environmental regulations or an accidental release of hazardous substances into the environment;
- the potential failure by us to establish and maintain effective internal control over financial reporting;.

All forward-looking statements are necessarily only estimates of future results, and there can be no assurance that actual results will not differ materially from expectations, and, therefore, you are cautioned not to place undue reliance on such statements. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this presentation and in the Company's filings with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K. Further, any forward-looking statement speaks only as of the date of this presentation, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

Adjusted Net Income or Loss, EBITDA and adjusted EBITDA are supplemental non-GAAP financial measures that are used by management and external users of the Company's financial statements, such as industry analysts, investors, lenders and rating agencies. The Company's management believes adjusted Net Income or Loss, EBITDA and adjusted EBITDA are useful because such measures allow the Company and its stockholders to more effectively evaluate its operating performance and compare the results of its operations from period to period and against its peers without regard to its financing methods or capital structure. See non-GAAP financial measures at the end of this presentation for a full reconciliation of Net Income or Loss to adjusted Net Income or Loss, EBITDA and adjusted EBITDA.

Investment Thesis

Sectors only pure-play, pad-optimal growth story focused solely on North America's most attractive oil and gas basins

Scale, Asset Quality, Growth	• Sidewinder strategic combination more than doubled fleet size by combining complementary assets in core markets, driving step-change improvements in operational and financial scale • Meaningful high-return organic growth opportunities executable within free cash flow
Attractive Presence in Lower 48's Most Attractive Basins	• Focus on most attractive operating basins supported by high-quality customer base • Majority of rigs in Permian with additional meaningful presence in Haynesville (East Texas / North Louisiana)
Free Cash Flow Generation Across Oil and Gas Drilling Cycles	• Meaningful growth in earnings and free cash flow per share from existing rig fleet; newbuild rigs and economics no longer necessary for earnings and free cash flow growth • Strategic combination synergies drives more efficient overhead structure • Tax advantaged: NOL's plus full step-up in Sidewinder assets
Strong Balance Sheet, Financial Flexibility and Liquidity	• 1Q'19 Net Debt / Adjusted EBITDA < 2X; Net Debt / Total Cap: 23.6% • No maturities until October 2023 • Flexible debt structure: pre-payable/re-financeable at any time, minimal financial covenants

Corporate Snapshot

Sectors only pure play, pad-optimal growth story

- Fleet composed of 32 marketed ShaleDriller® rigs and two additional idle rigs that will enter marketed fleet following upgrade & conversion
- The speed, efficiency and safety offered by ICD's rigs dramatically reduce drilling times, thereby saving significant capex dollars for E&P operators

Integration following Sidewinder strategic combination on 10/1/18 driving operational and financial synergies

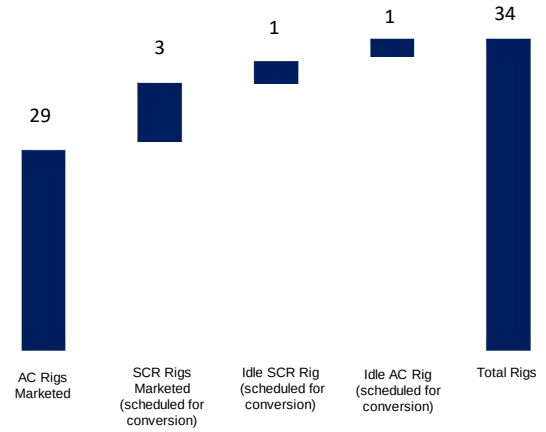
Established reputation for operational excellence and safety

- Average marketed ShaleDriller® fleet age: ~4.9 years[1]
- Work with well-known customers who pay for quality
- #1 ranked drilling contractor by Energy Point Research for Service and Professionalism

Proforma Capitalization & Liquidity: 3/31/19 [2]

US$MM, unless otherwise noted	
Share Price ($/Share)	2.75
Share Outstanding (MM)	77.1
Equity Value	**212.0**
Long-term debt	132.6
Cash	12.5
Aggregate Value	**357.1**
Credit Facility Unused Capacity[3]	32.5
Term Loan – Undrawn Committed Accordion	15.0
Cash	12.5
Total Current Liquidity	**60.0**
Book Value of Equity	389.4
Total Capitalization	**509.5**

Fleet Snapshot



1. Based upon date of initial drilling operations for newbuild rig or converted rig. Excludes four SCR rigs scheduled for conversion to AC pad-optimal status.
2. Market data as of 3/20/19.
3. Total credit facility commitment at 3/31/19 less outstanding borrowings and letters of credit obligations.

ICD Today: Nothing has Changed but Everything is Different

Post combination, ICD's strategic focus and operational priorities remain unchanged, but our ability to generate free cash flow and investor returns increased dramatically

	Pre Combination	Post Combination
Asset Quality & Geographic Focus	• Pad-Optimal rig fleet • Texas & contiguous states weighted towards Permian/Haynesville	**SAME**
Operational Priorities	• Safety & Operational Excellence	**SAME**
Operational & Financial Scale	• 15 rig fleet • $100M+ revenues, misaligned overhead structure • 15 "200" Series rigs	• 34 Rig Fleet • $250M+ revenues, more aligned overhead structure • 14 "300" Series rigs; 19 "200" Series rigs; One "100" Series rig • Increased exposure to Super Majors
Free Cash Flow / High Returns Focus	• Subscale size drove disproportionate weighting to rig fleet growth over returns and free cash flow	• High-return focused / free cash flow growth through organic opportunities - *Newbuild economics and fleet growth not necessary to drive incremental returns and free cash flow*

Fleet & Operational Footprint

14 “300” Series ShaleDriller Rigs[1]

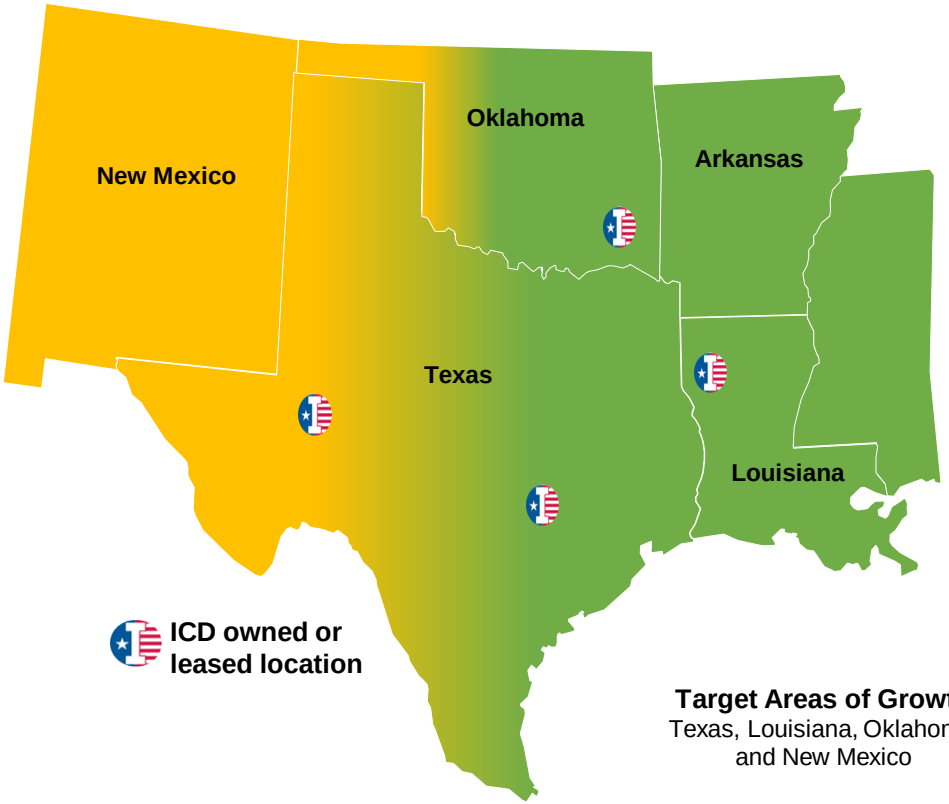
- 1500 HP drawworks; 25K+ racking / 1M lb hook with only modest capex
- Three pump / four engine capable; drilling optimization software capable
- Targeting developing market niche for larger diameter casing strings and extreme laterals

19 “200” Series ShaleDriller Rigs

- 1500 HP drawworks; 20K+ racking / 750K lb hook
- Three pump / four engine capable; drilling optimization software capable

1 “100” Series ShaleDriller Rig

- 1000 HP drawworks;
- Three pump / four engine capable; drilling optimization software capable

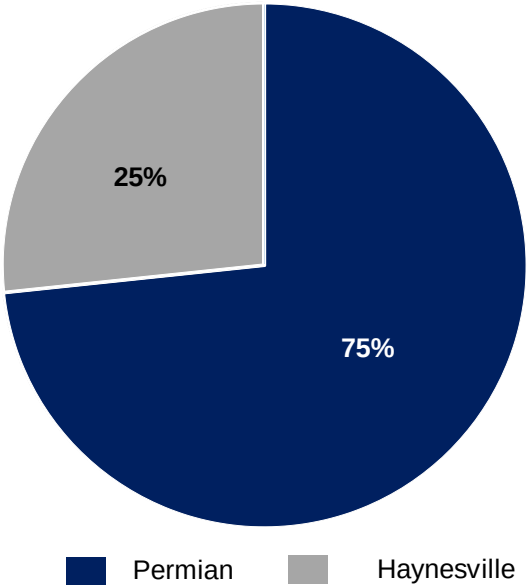


Target Areas of Growth
Texas, Louisiana, Oklahoma and New Mexico

(1) Includes three operating SCR rigs scheduled for conversion and two idle rigs scheduled for conversion and reactivation

Geographic Mix and Customer Relationships

Active Rig Count by Basin



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Strong Customer Base

ICD Customers

DIAMONDBACK Energy
GEO SOUTHERN ENERGY CORPORATION
CONCHO
bp
XTO ENERGY
FELIX ENERGY
INDIGO RESOURCES
devon
Jagged Peak ENERGY
Apache EXPLORING WHAT'S POSSIBLE
Anadarko Petroleum Corporation
PARSLEY ENERGY
Chevron
equinor
ROCKCLIFF ENERGY LLC
LAREDO PETROLEUM, INC.
PIONEER NATURAL RESOURCES

Market Overview: Long-term View

Continued innovation results in US shale plays becoming some of the most economic in the world

Oil prices generally range bound in the $50bbl to $70bbl WTI range, resulting in more frequent, but less severe cycles outside of this range

Investor and capital market sentiment forces E&P's to focus on financial returns and free cash flow over production growth, placing a premium on efficiency and execution

Successful E&P's must focus on continuous efficiency improvements, accelerating shift towards a wellbore manufacturing model utilizing more complex multi-well pad drilling, increasing lateral length, and data analytics

Pad-optimal rig technology (i.e. SHALEDRILLER) optimizes E&P economics

Continued bifurcation of the land contract drilling rig market and continued manifestation of the rig replacement cycle as E&Ps accelerate hi-grading drilling operations towards pad-optimal rig technology.

Thus, the pad-optimal rig count behaves differently than during prior downturns, indicative of this market maintaining 90%+ utilization during 1Q'19 following commodity price downturn that began in Nov '18.

Pad-Optimal Drilling Fleet Characteristics

Omni-Directional Walking

1500 HP Drawworks

High-Pressure Mud Systems (7500 psi)

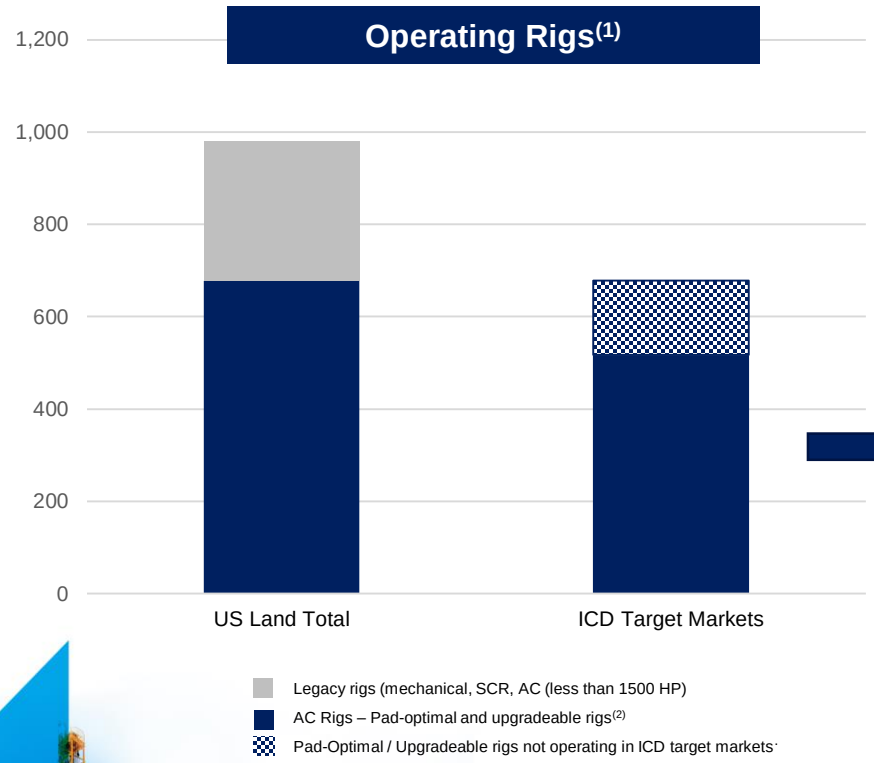
Fast Moving

AC Programmable

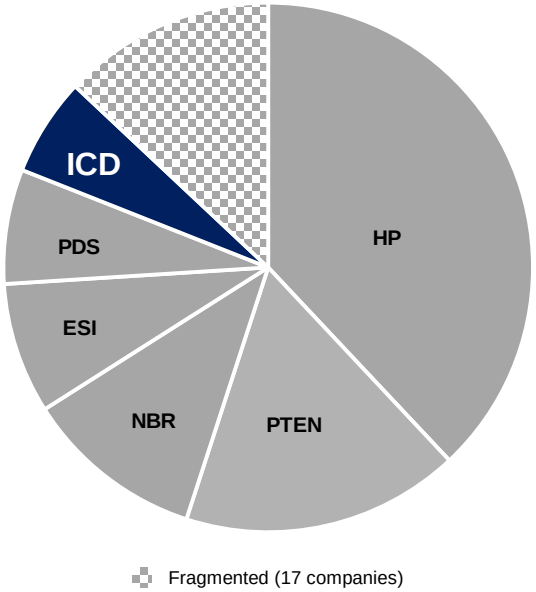
Flexibility to provide differing equipment packages to meet particular requirements of E&Ps' drilling programs

- Three pump / four engine capable
- Enhanced racking (25K ft) and hookload (1M lb) options
- Greater than 200 ft walking capable
- Drilling optimization software capable
- Bi-fuel

Meaningful Player in Consolidating Pad-Optimal Market



Market Share – ICD Target Markets – TX & Contiguous States
Operating Rigs – Pad-Optimal & Upgradeable (1)(2)



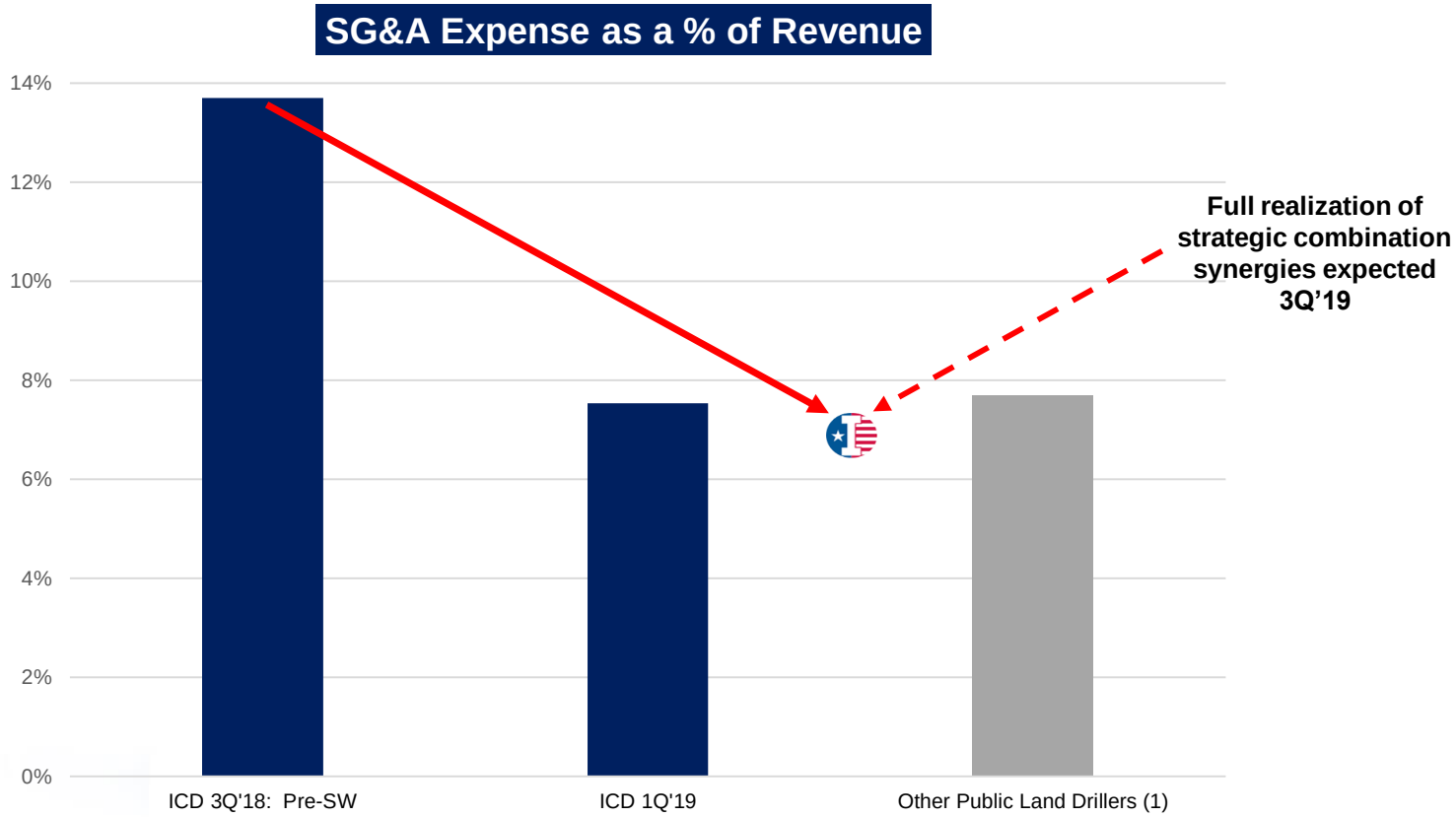
Consolidating pad-optimal rig market driven (i) economically by the continued manifestation of the rig replacement cycle and (ii) by recent consolidating transactions (ICD-Sidewinder and Ensign-Trinidad)

(1) Per Rig Data at 3/8/19 and internal estimates.
(2) Represents AC rig fleet, 1500 HP or greater (includes skidding rigs and rigs without 7500psi mud systems that would require significant upgrade investment to meet pad-optimal specifications)

Drivers Towards Returns / Free Cash Flow Through Oil and Gas Cycle

Operational and Financial Synergies from Sidewinder Combination	• Post combination integration substantially complete 6/30/19 • Expect realization of runrate synergies of $10 million+ during 3Q'19 and beyond ($8M SG&A and $2M+ operational)
Scalable SG&A Cost Structure	• Post combination financial and operational scale drives significant improvements in overhead efficiencies • High-return growth and expansion within target markets supported by existing overhead structure and systems
Executable, High-Return, Free Cash Flow Generating Organic Growth Opportunities	• Four planned SCR to "300" Series pad-optimal conversions • One idle AC rig conversion to "300" Series pad-optimal status • Nine "300" Series ShaleDriller rigs capable of racking (25K ft) and hookload (1M lb) additions with only modest capex requirements • Third pump, fourth engine and drilling optimization software additions based upon market demand for these features
Future M&A?	• ICD systems and processes in place to assimilate M&A rig additions in core markets • Pad-optimal rigs (and rigs able to be efficiently upgraded to pad-optimal status) operating in ICD core markets owned by fragmented group of small contractors

Synergy Realization Driving Overhead Efficiencies



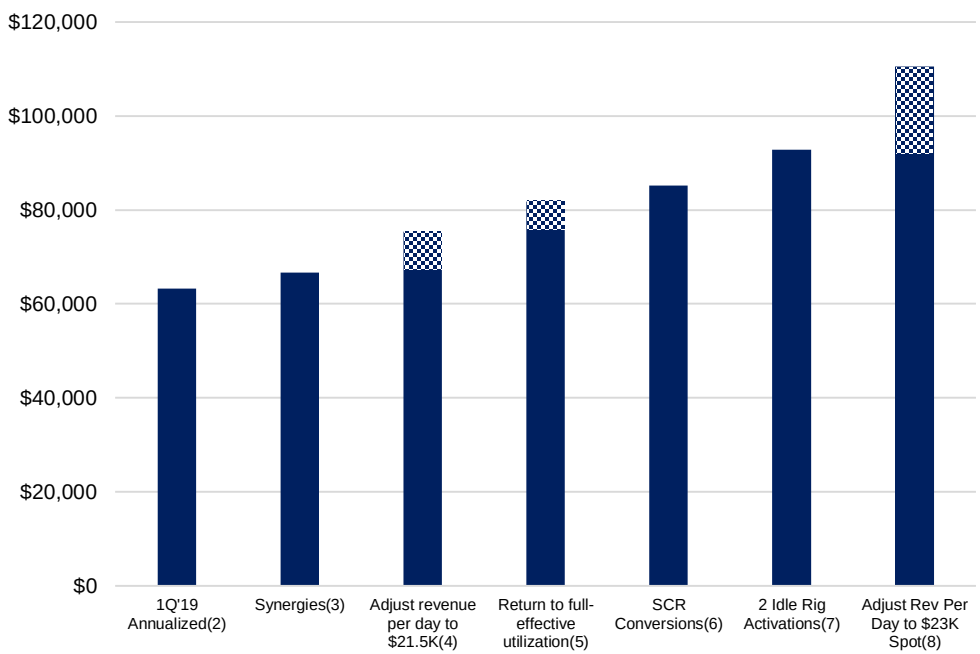
Continued realization of synergies from strategic combination driving overhead efficiencies that are scalable in connection with execution of high-return growth opportunities in core markets

(1) Weighted Average SG&A expense as a percentage of total revenues for HP, PTEN, NBR, PDS and PES combined during 1Q'19. Includes research and development expenses. Per available public filings.

Attractive Free Cash Flow Generation

- Free cash flow grows organically through the following opportunities:
  - Repricing of older legacy contracts to current market day rates and potential dayrate and utilization increases to pre-Nov '19 rates
  - Continued realization of Sidewinder combination synergies
  - Conversion of three operating SCR rigs to AC pad-optimal status
  - Conversion of two idle 1500 HP rigs to AC pad-optimal status
  - Racking and hookload enhancements to ICD "300" Series
  - Third pump – fourth engine additions

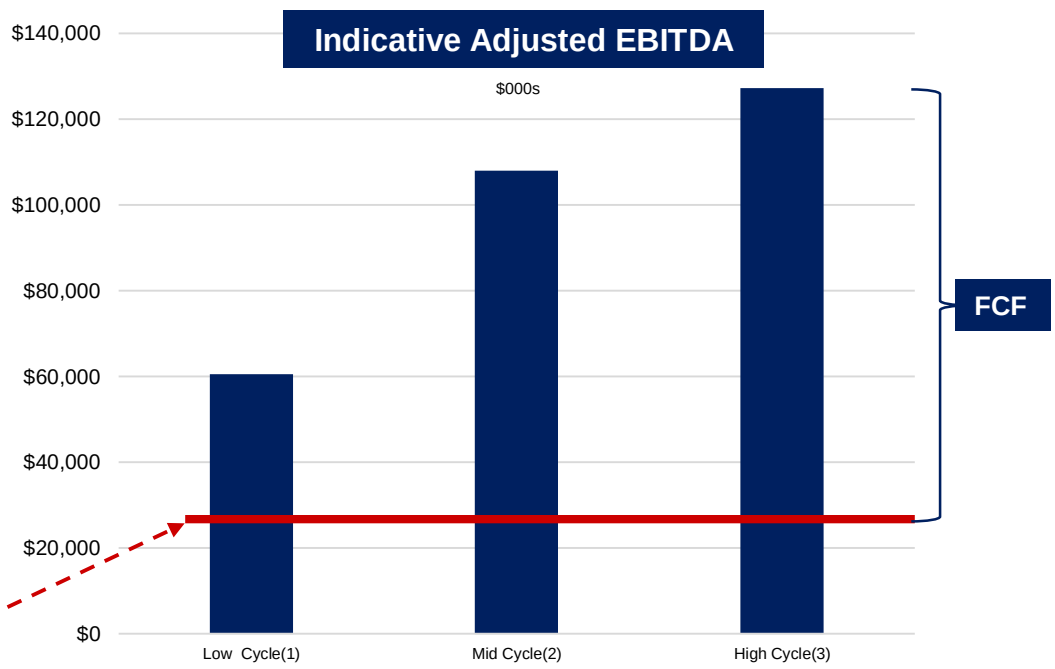
Indicative Organic Growth Opportunities(1)



(1) Represents indicative annualized run-rate adjusted EBITDA assuming each of the items summarized in (2) through (7) occurred at the beginning of Q1'19. The occurrence of each of these items is subject to various risks and uncertainties, and actual results may differ materially. Actual adjusted EBITDA may differ significantly and will be materially impacted by prevailing market conditions which can significantly impact rig utilization and dayrate. See Preliminary Matters Slide.
(2) Annualized ICD 1Q'19 adjusted EBITDA.
(3) Adjust for additional transaction synergies not yet realized during 1Q'19. ICD expects full realization of synergies on a runrate basis during 3Q'19.
(4) Adjust below market contracts to prevailing dayrates (assumed to be $21.5K per day). Note: 1Q'19 revenue per day was $20.7K.
(5) Adjust to full effective utilization. Note: 1Q'19 utilization 95% and current utilization below this level.
(6) Adjust for Incremental gross margin from conversion of three SCR rigs to pad-optimal status and market dayrates (assumed to be $22K per day).
(7) Adjust for incremental gross margin from reactivation of two rigs.
(8) Adjust dayrates to prevailing market rates pre Q4'18 commodity price declines.

Free Cash Flow Generation Across the Entire Cycle

- In an oil and gas environment in which oil prices are range bound between $50 bbl and $70 bbl, ICD is structured to generate free cash flow across cycle with 34 rig fleet
- Illustrative average dayrates across cycle: Low: $21K; Mid: $23K; High: $25K
  - Higher rates above these levels for enhanced equipment packages (three pump / four engine; enhanced racking and hookload; drilling optimization software)
- Other indicative costs: $28 million
  - Maintenance/Sustaining capex: $15M
  - Cash interest: $13 million
  - Not currently a cash tax payer (NOL plus Sidewinder basis step up)



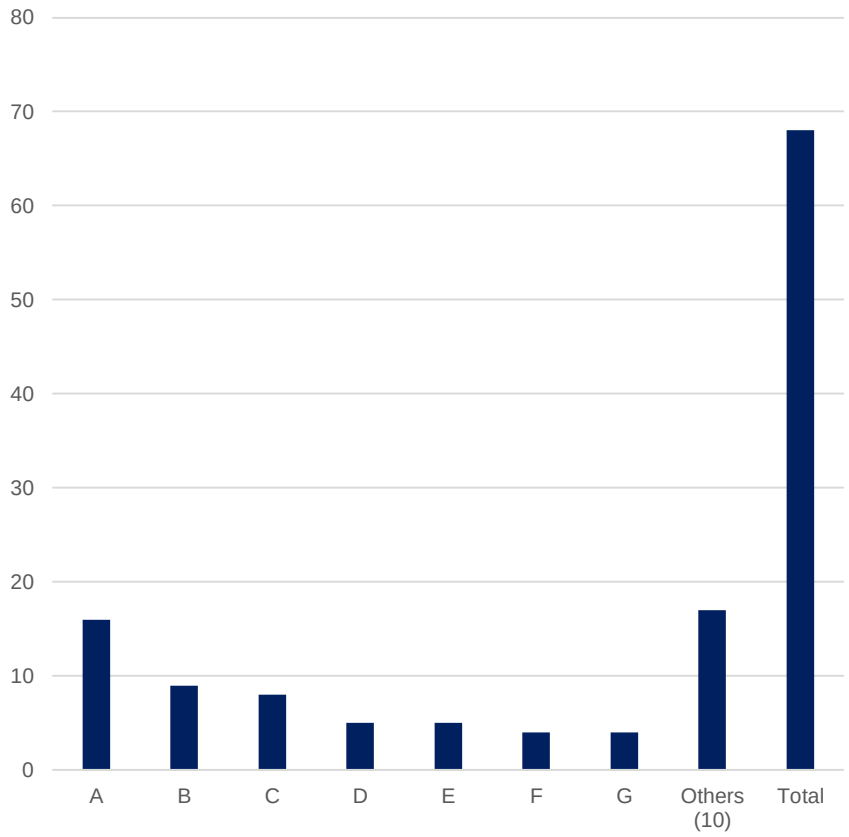
ICD structured to generate free cash flow across cycle and generate meaningful returns relative to its current trading value ($212 million) and book value ($389 million)(4)

(1) Low cycle represents indicative adjusted EBITDA assuming 34 rig fleet operates at 90% utilization at average dayrate of $21K per day and cost of $13K per day
(2) Mid cycle represents indicative adjusted EBITDA assuming 34 rig fleet operations at 98% utilization at $23.5K per day and cost of $13K per day
(3) High cycle represents indicative adjusted EBITDA assuming 34 rig fleet operates at 99% utilization at average dayrate of $25K per day and cost of $13K per day
(4) Trading value based upon closing market price at 5/13/19. Book value represents shareholders equity reported on 3/31/19 balance sheet
NOTE; Actual adjusted EBITDA and FCF may differ significantly and will be materially impacted by prevailing market conditions which can significantly impact rig utilization and dayrate and capitalization levels. See Preliminary Matters Slide.

M&A Opportunities?

- Sidewinder combination illustrates how consolidating transactions with pad-optimal and economically upgradeable rigs drive improvement in returns and free cash flow generation per share
- Post combination integration on target; ICD able to efficiently execute additional M&A opportunities when / if opportunities present themselves
- Additional pad-optimal / upgradeable rigs operating in ICD target markets are owned by drilling contractors with subscale size and minimal access to financing / capital markets

Pad-optimal / upgradeable operating rigs in ICD target markets of Texas and contiguous states owned by private or public drilling contractors with subscale fleet size[1]



(1) Source: Rig data. AC rigs with 1500+HP

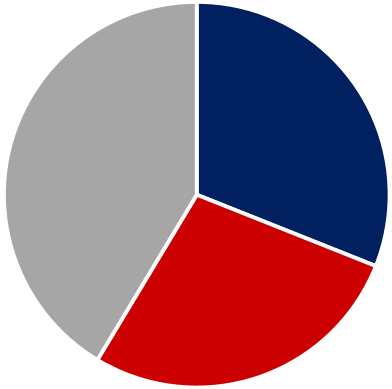
Financial Liquidity

- $130 million term loan
  - Five-year term
  - No amortization
  - Additional $15 million delayed-draw availability
  - Minimal financial covenants
  - Pre-payable at any time
- $40 million revolving line of credit
- Near-term liquidity requirements
  - 2019 Capex Budget: $29 million
  - Working capital normalization (1Q'19; 2Q'19): $5 million in Sidewinder transaction costs to be paid in 2Q'19+
- ICD expects to fund near term investment via free cash flow and begin building incremental cash 2H'19

Financial Liquidity

	$ millions At March 31, 2019
Cash	$12.5
Undrawn Revolver Capacity (1)	32.5
Undrawn Committed Accordion	15.0
Total Liquidity	$60.0

2019 Capex



(1) $40 million commitment less outstanding borrowings and letters of credit balance @3/31/19

Closing Summary

Maintaining a Pad-Optimal drilling fleet…while increasing Returns and Free Cash Flow by focusing on operational excellence and executable high-return internal Growth opportunities

- High-quality pad-optimal drilling fleet
- Presence in most active US Shale basins supported by high-quality customers
- Execution on attractive cost and operating synergy opportunities of $10 million+
- Generation of free cash flow and returns across oil and gas cycle
- Strong balance sheet with financial flexibility

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Right Equipment
RIGHT PEOPLE
Right Time

Balance Sheet

INDEPENDENCE CONTRACT DRILLING, INC.
Unaudited
(in thousands, except par value and share data)

CONSOLIDATED BALANCE SHEETS

	March 31, 2019	December 31, 2018
Assets		
Cash and cash equivalents	$ 12,549	$ 12,247
Accounts receivable, net	42,137	41,987
Inventories	2,738	2,693
Assets held for sale	19,369	19,711
Prepaid expenses and other current assets	5,667	8,930
Total current assets	82,460	85,568
Property, plant and equipment, net	488,472	496,197
Goodwill	1,627	1,627
Deferred tax assets	1,766	-
Other long-term assets, net	2,582	1,470
Total assets	$ 576,907	$ 584,862
Liabilities and Stockholders' Equity		
Liabilities		
Current portion of long-term debt (1)	$ 905	$ 587
Accounts payable	16,174	16,312
Accrued liabilities	21,095	29,219
Total current liabilities	38,174	46,118
Long-term debt (2)	132,610	130,012
Contingent consideration	15,558	15,748
Deferred income taxes, net	-	774
Other long-term liabilities	1,195	677
Total liabilities	187,537	193,329
Commitments and contingencies		
Stockholders' equity		
Common stock, $0.01 par value, 200,000,000 shares authorized; 77,598,806 shares issued and 77,078,252 shares outstanding	771	771
Additional paid-in capital	503,656	503,446
Accumulated deficit	(112,011)	(109,638)
Treasury stock, at cost, 520,554 shares	(3,046)	(3,046)
Total stockholders' equity	389,370	391,533
Total liabilities and stockholders' equity	$ 576,907	$ 584,862

Income Statement

INDEPENDENCE CONTRACT DRILLING, INC.
Unaudited
(in thousands, except per share amounts)

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		
	March 31,		December 31,
	2019	2018	2018
Revenues	$ 60,358	$ 25,627	$ 62,789
Costs and expenses			
Operating costs	39,333	18,926	39,908
Selling, general and administrative	4,545	3,479	5,030
Merger-related expenses	1,081	-	11,270
Depreciation and amortization	11,313	6,591	10,890
Asset impairment (insurance recoveries), net	2,018	(35)	(371)
Loss (gain) on disposition of assets, net	3,220	(82)	(65)
Total cost and expenses	61,510	28,879	66,662
Operating loss	(1,152)	(3,252)	(3,873)
Interest expense	(3,761)	(943)	(4,513)
Loss before income taxes	(4,913)	(4,195)	(8,386)
Income tax (benefit) expense	(2,540)	(49)	211
Net loss	$ (2,373)	$ (4,146)	$ (8,597)
Loss per share:			
Basic and Diluted	$ (0.03)	$ (0.11)	$ (0.11)
Weighted average number of common shares			
Basic and Diluted	75,692	38,124	75,692

Non-GAAP Financial Measures

Adjusted net income and loss, EBITDA and adjusted EBITDA are supplemental non-GAAP financial measure that are used by management and external users of our financial statements, such as industry analysts, investors, lenders and rating agencies. In addition, adjusted EBITDA is consistent with how EBITDA is calculated under our revolving credit facility for purposes of determining our compliance with various financial covenants. We define “EBITDA” as earnings (or loss) before interest, taxes, depreciation, and amortization, and we define “adjusted EBITDA” as EBITDA before stock-based compensation, non-cash asset impairments, gains or losses on disposition of assets, and other non-recurring items added back to, or subtracted from, net income for purposes of calculating EBITDA under our revolving credit facility. Neither adjusted net income or loss, EBITDA or adjusted EBITDA is a measure of net income as determined by U.S. generally accepted accounting principles (“GAAP”).

Management believes adjusted net loss, EBITDA and adjusted EBITDA are useful because they allow our stockholders to more effectively evaluate our operating performance and compliance with various financial covenants under our revolving credit facility and compare the results of our operations from period to period and against our peers without regard to our financing methods or capital structure or non-recurring, non-cash transactions. We exclude the items listed above from net income (loss) in calculating adjusted net loss, EBITDA and adjusted EBITDA because these amounts can vary substantially from company to company within our industry depending upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired. None of adjusted net loss, EBITDA or adjusted EBITDA should be considered an alternative to, or more meaningful than, net income (loss), the most closely comparable financial measure calculated in accordance with GAAP or as an indicator of our operating performance or liquidity. Certain items excluded from adjusted net loss, EBITDA and adjusted EBITDA are significant components in understanding and assessing a company’s financial performance, such as a company’s return of assets, cost of capital and tax structure. Our presentation of adjusted net loss, EBITDA and adjusted EBITDA should not be construed as an inference that our results will be unaffected by unusual or non-recurring items. Our computations of adjusted net income (loss), EBITDA and adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

The table on the following page present a reconciliation of net loss to adjusted net income (loss), EBITDA and adjusted EBITDA.

Non-GAAP Financial Measures

Reconciliation of Net Loss to Adjusted Net Income (Loss):

	(Unaudited) Three Months Ended					
	March 31, 2019		March 31, 2018		December 31, 2018	
(in thousands)	Amount	Per Share	Amount	Per Share	Amount	Per Share
Net loss	$ (2,373)	$(0.03)	$ (4,146)	$(0.11)	$ (8,597)	$ (0.11)
Add back:						
Asset impairment (insurance recoveries), net	2,018	0.03	(35)	-	(371)	(0.01)
Loss (gain) on disposition of assets, net (2)	3,220	0.04	(82)	-	(65)	-
Intangible revenue (3)	(1,033)	(0.01)	-	-	(2,044)	(0.03)
Merger-related expenses (4)	1,081	0.01	-	-	11,270	0.15
Write-off of deferred financing costs (5)	-	-	-	-	856	0.01
Adjusted net income (loss)	$ 2,913	$ 0.04	$ (4,263)	$(0.11)	$ 1,049	$ 0.01

Reconciliation of Net Loss to EBITDA and Adjusted EBITDA:

	(Unaudited) Three Months Ended		
	March 31, 2019	March 31, 2018	December 31, 2018
(in thousands)			
Net loss	$ (2,373)	$ (4,146)	$ (8,597)
Add back:			
Income tax (benefit) expense	(2,540)	(49)	211
Interest expense	3,761	943	4,513
Depreciation and amortization	11,313	6,591	10,890
Asset impairment (insurance recoveries), net (1)	2,018	(35)	(371)
EBITDA	12,179	3,304	6,646
Loss (gain) on disposition of assets, net (2)	3,220	(82)	(65)
Stock-based compensation	387	644	240
Intangible revenue (3)	(1,033)	-	(2,044)
Merger-related expenses (4)	1,081	-	11,270
Adjusted EBITDA	$ 15,834	$ 3,866	$ 16,047

See footnote explanations on following page.

Non-GAAP Financial Measures

(1) In the first quarter of 2019, we recorded an impairment to assets held for sale of $2.0 million to reflect the proceeds received when these assets were sold at auction in April 2019. In the fourth quarter of 2018, we recorded insurance recoveries, net of impairments of $0.6 million on the Galayda facility water damage incurred during Hurricane Harvey after receiving a proof of loss letter from our insurance carrier, offset by an increased impairment of $0.2 million related to increased estimated costs to sell the Galayda facility.

(2) In the first quarter of 2019 we recorded a loss on the disposition of assets of $3.2 million primarily related to the sale of certain surplus assets, acquired in the Sidewinder merger, at auctions during the quarter.

(3) For the three months ended March 31, 2019 and December 31, 2018, we amortized intangible revenue related to an unfavorable contract liability acquired in the Sidewinder merger.

(4) For the three months ended March 31, 2019 and December 31, 2018 we incurred costs directly associated with the Sidewinder merger. These costs were primarily comprised of severance, professional fees and other integration related expenses.

(5) For the three months ended December 31, 2018, we wrote-off $0.9 million of unamortized deferred financing costs associated with the CIT Credit Facility, which was terminated upon the closing of the Sidewinder merger.

Non-GAAP Financial Measures

	Three Months Ended		
	March 31, 2019	March 31, 2018	December 31, 2018
Number of marketed rigs end of period (1)	32	14	32
Rig operating days (2)	2,728.1	1,259.4	2,817.5
Average number of operating rigs (3)	30.3	14.0	30.6
Rig utilization (4)	94.8%	100.0%	95.7%
Average revenue per operating day (5)	$ 20,755	$ 19,055	$ 20,433
Average cost per operating day (6)	$ 13,302	$ 13,414	$ 12,932
Average rig margin per operating day	$ 7,453	$ 5,641	$ 7,501

(1) Number of marketed rigs as of March 31, 2019 and December 31, 2018 increased by 18 rigs as compared to the number of marketed rigs as of March 31, 2018. Our 15th ShaleDriller rig was completed and commenced operations during the third quarter of 2018 and we acquired 17 marketed rigs and two idle non-operating rigs requiring upgrade as a result of the Sidewinder merger in the fourth quarter of 2018.

(2) Rig operating days represent the number of days our rigs are earning revenue under a contract during the period, including days that standby revenues are earned.

(3) Average number of operating rigs is calculated by dividing the total number of rig operating days in the period by the total number of calendar days in the period.

(4) Rig utilization is calculated as rig operating days divided by the total number of days our marketed drilling rigs are available during the applicable period.

(5) Average revenue per operating day represents total contract drilling revenues earned during the period divided by rig operating days in the period. Excluded in calculating average revenue per operating day are revenues associated with the reimbursement of out-of-pocket costs paid by customers of $2.7 million, $1.6 million and $3.2 million during the three months ended March 31, 2019 and 2018, and December 31, 2018, respectively and revenues associated with the amortization of intangible revenue acquired in the Sidewinder merger of $1.0 million and $2.0 million during the three months ended March 31, 2019 and December 31, 2018, respectively.

(6) Average cost per operating day represents operating costs incurred during the period divided by rig operating days in the period. The following costs are excluded in calculating average cost per operating day: (i) out-of-pocket costs reimbursed by customers of $2.7 million, $1.6 million and $3.2 million during the three months ended March 31, 2019 and 2018, and December 31, 2018, respectively, (ii) new crew training costs of zero, $25 thousand and zero during the three months ended March 31, 2019 and 2018, and December 31, 2018, respectively, and (iii) construction overhead costs expensed due to reduced rig construction activity of $0.3 million, $0.4 million and $0.3 million during the three months ended March 31, 2019 and 2018, and December 31, 2018, respectively.

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