REFINITIV

DELTA REPORT

10-Q

ENSV - ENSERVCO CORP

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1628
CHANGES	115
DELETIONS	846
ADDITIONS	667

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

FORM 10-Q

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

For the quarterly period ended September 30, 2023 March 31, 2024

or

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

For the transition period from ________ to ________

Commission File Number 001-36335

ensvlogo.jpg

ENSERVCO CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	84-0811316
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
14133 Country Road 9 1/2 Longmont, CO	80504
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number: **(303) 333-3678**

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

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common stock	ENSV	NYSE American

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☐		

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

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

As of November 10, 2023 May 13, 2024, there were 26,585,730 27,636,500 shares of the registrant's common stock par value $0.005 per share, issued and outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ENSERVCO CORPORATION AND SUBSIDIARY

Condensed Consolidated Balance Sheets

(In thousands, except share and per share amounts)

	September 30, 2023	**December 31, 2022**	March 31, 2024	December 31, 2023
	(unaudited)		(unaudited)	
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 300	$ 35	$ 474	$ 201
Accounts receivable, net	1,363	4,463	4,248	4,190
Prepaid expenses and other current assets	1,664	989	870	1,047
Inventories	237	320	219	209
Note receivable	75	75	75	75
Assets held for sale	1,314	78		
Total Current Assets	4,953	5,960	5,886	5,722

Property and equipment, net	7,652	11,236	6,235	6,923
Goodwill	546	546		
Intangible assets, net	18	182	67	-
Note receivable, less current portion	163	225		
Right-of-use asset - finance, net	12	22	6	9
Right-of-use asset - operating, net	999	1,476	759	891
Note receivable, less current portion			125	144
Other assets	182	191	182	183
Total Assets	$ 14,525	$ 19,838	$ 13,260	$ 13,872
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)				
Current Liabilities:				
Accounts payable and accrued liabilities	$ 4,506	$ 4,868	$ 3,104	$ 4,285
Utica Facility	1,468	1,250	1,684	1,595
LSQ Facility	836	2,945	2,739	2,472
March 2022 Convertible Note, related party	-	100		
July 2022 Convertible Note, related party	-	60		
November 2022 Convertible Note, related party			1,079	1,027
September and October 2023 Convertible Notes, related parties			1,660	-
Lease liability - finance	12	13	6	10
Lease liability - operating	467	597	395	441
Current portion of long-term debt	8	54		
Other current liabilities	200	354	200	198
Total Current Liabilities	7,497	10,241	10,867	10,028
Utica Facility, less current portion	2,523	3,963	1,075	1,690
March 2022 Convertible Note, related party, less current portion	-	1,100		
July 2022 Convertible Note, related party, less current portion	-	1,140		
November 2022 Convertible Note, related party	975	818		
September 2023 Convertible Notes, related party	1,089	-		
September and October 2023 Convertible Notes, related parties, less current portion			-	1,656
Utica Residual Liability	220	110	293	256
Lease liability - finance, less current portion	3	11	10	6
Lease liability - operating, less current portion	618	991	436	528
Deferred tax liabilities	257	273	222	222
Other non-current liabilities	101	22	7	58
Total Liabilities	13,283	18,669	12,910	14,444

Commitments and Contingencies				
Stockholders' Equity:				
Stockholders' Equity (Deficit):				
Preferred stock, $0.005 par value, 10,000,000 shares authorized, no shares issued or outstanding	-	-	-	-
Common stock, $0.005 par value, 100,000,000 shares authorized; 25,592,637 and 11,835,753 shares issued as of September 30, 2023 and December 31, 2022, respectively; 6,907 shares of treasury stock as of September 30, 2023 and December 31, 2022; and 25,585,730 and 11,828,846 shares outstanding as of September 30, 2023 and December 31, 2022, respectively	128	59		
Common stock, $0.005 par value, 100,000,000 shares authorized; 27,362,742 and 26,592,637 shares issued as of March 31, 2024 and December 31, 2023, respectively; 6,907 shares of treasury stock as of March 31, 2024 and December 31, 2023; and 27,355,835 and 26,585,730 shares outstanding as of March 31, 2024 and December 31, 2023, respectively			135	131
Additional paid-in capital	48,844	42,266	49,148	48,970
Accumulated deficit	(47,730)	(41,156)	(48,933)	(49,673)
Total Stockholders' Equity	1,242	1,169		
Total Stockholders' Equity (Deficit)			350	(572)
Total Liabilities and Stockholders' Equity	$ 14,525	$ 19,838		
Total Liabilities and Stockholders' Equity (Deficit)			$ 13,260	$ 13,872

See accompanying notes to the condensed consolidated financial statements.

ENSERVCO CORPORATION AND SUBSIDIARY

Condensed Consolidated Statements of Operations

(In thousands, except per share amounts)

(Unaudited)

	For the Three Months Ended	**For the Nine Months Ended**	For the Three Months Ended

	September 30,		September 30,		March 31,	
	2023	**2022**	2023	2022	2024	2023
Revenues:						
Production services	$ 2,623	$ 2,788	$ 8,375	$ 8,645	$ 2,485	$ 2,863
Completion and other services	314	321	7,203	6,497	7,307	6,049
Total revenues	2,937	3,109	15,578	15,142	9,792	8,912
Expenses:						
Production services	3,151	2,599	7,341	7,976	2,121	2,317
Completion and other services	435	890	7,058	6,724	4,410	4,580
Sales, general, and administrative expenses	979	1,094	3,364	3,763		
Severance and transition costs	-	2	1	301		
Loss (gain) on disposal of assets	67	93	(109)	258		
Impairment loss	-	-	250	-		
Sales, general, and administrative					1,232	1,503
Severance and transition					-	1
Gain on disposal of assets					-	(1)
Depreciation and amortization	905	1,069	2,821	3,317	767	971
Total operating expenses	5,537	5,747	20,726	22,339	8,530	9,371
Loss from operations	(2,600)	(2,638)	(5,148)	(7,197)		
Income (loss) from operations					1,262	(459)
Other (expense) income:						
Interest expense	(476)	(448)	(1,584)	(1,053)	(578)	(590)
Gain on debt extinguishment	-	-	-	4,277		
Other income	60	10	142	102	56	29
Total other (expense) income, net	(416)	(438)	(1,442)	3,326		
Total other expense, net					(522)	(561)
Loss before taxes	(3,016)	(3,076)	(6,590)	(3,871)		
Income (loss) before taxes					740	(1,020)
Deferred income tax benefit	-	-	16	-	-	16
Net loss	$ (3,016)	$ (3,076)	$ (6,574)	$ (3,871)		
Net income (loss)					$ 740	$ (1,004)
Net loss per share - basic and diluted	$ (0.13)	$ (0.27)	$ (0.35)	$ (0.34)		
Net income (loss) per share:						
Basic					$ 0.03	$ (0.07)
Diluted					$ 0.03	$ (0.07)

Weighted average number of common shares outstanding - basic and diluted	23,063	11,536	18,654	11,494		
Weighted average number of common shares outstanding:						
Basic					26,934	14,808
Diluted					30,284	14,808

See accompanying notes to the condensed consolidated financial statements.

ENSERVCO CORPORATION AND SUBSIDIARY

Consolidated Statements of Stockholders' Equity (Deficit)

(In thousands)

(Unaudited)

	Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Balance at January 1, 2022	11,432	$ 57	$ 40,866	$ (35,581)	$ 5,342
Stock-based compensation	-	-	21	-	21
Restricted share issuance	70	-	62	-	62
Net income	-	-	-	3,140	3,140
Balance at March 31, 2022	11,502	$ 57	$ 40,949	$ (32,441)	$ 8,565
Stock-based compensation	-	-	475	-	475
Restricted share issuance	50	-	110	-	110
Restricted share cancellations	(61)	-	-	-	-
Net loss	-	-	-	(3,935)	(3,935)
Balance at June 30, 2022	11,491	$ 57	$ 41,534	$ (36,376)	$ 5,215
Stock-based compensation	-	-	159	-	159
Restricted share issuances	345	-	-	-	-
Restricted share cancellations	(7)	-	-	-	-
Net loss	-	-	-	(3,076)	(3,076)
Balance at September 30, 2022	11,829	$ 57	$ 41,693	$ (39,452)	$ 2,298

	Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance at January 1, 2023	11,829	$ 59	$ 42,266	$ (41,156)	$ 1,169
Stock-based compensation	-	-	44	-	44
Restricted share issuance	60	-	92	-	92
Restricted share cancellation	(25)	-	-	-	-
Shares issued to Cross River Partners, L.P. in connection with partial conversion of March 2022 Convertible Note	2,275	11	1,040	-	1,051
Shares issued in February 2023 Offering, net of offering costs	3,900	20	964	-	984
Warrants issued in February 2023 Offering, net of offering costs	-	-	1,968	-	1,968
Net loss	-	-	-	(1,004)	(1,004)
Balance at March 31, 2023	18,039	$ 90	$ 46,374	$ (42,160)	$ 4,304

	Common Shares	**Common Stock**	**Additional Paid-in Capital**	**Accumulated Deficit**	**Total Stockholders' Equity**
Balance at January 1, 2023	11,829	$ 59	$ 42,266	$ (41,156)	$ 1,169
Stock-based compensation	-	-	44	-	44
Restricted share issuance	60	-	92	-	92
Restricted share cancellation	(25)	-	-	-	-
Shares issued to Cross River Partners, L.P. in connection with partial conversion of March 2022 Convertible Note	2,275	11	1,040	-	1,051
Shares issued in February 2023 Offering, net of offering costs	3,900	20	964	-	984
Warrants issued in February 2023 Offering, net of offering costs	-	-	1,968	-	1,968
Net loss	-	-	-	(1,004)	(1,004)
Balance at March 31, 2023	18,039	$ 90	$ 46,374	$ (42,160)	$ 4,304
Stock-based compensation	-	-	44	-	44
Restricted share issuances	79	-	82	-	82
Exercise of pre-funded warrants associated with February 2023 Offering	600	3	-	-	3

Shares issued to Cross River Partners, L.P. in connection with conversion of outstanding balance of March 2022 Convertible Note	323	2	147	-	149
Shares issued to Cross River Partners, L.P. in connection with conversion of July 2022 Convertible Note	2,400	12	847	-	859
Warrants issued to Cross River Partners, L.P. in connection with conversion of July 2022 Convertible Note	-	-	341	-	341
Net loss	-	-	-	(2,554)	(2,554)
Balance at June 30, 2023	21,441	$ 107	$ 47,835	$ (44,714)	$ 3,228
Stock-based compensation	-	-	71	-	71
Exercise of pre-funded warrants associated with February 2023 Offering	1,500	8	-	-	8
Acquisition of assets of OilServ, LLC through issuance of common stock	2,645	13	938	-	951
Net loss	-	-	-	(3,016)	(3,016)
Balance at September 30, 2023	25,586	$ 128	$ 48,844	$ (47,730)	$ 1,242

Balance at January 1, 2024	26,586	$ 131	$ 48,970	$ (49,673)	$ (572)
Stock-based compensation	-	-	16	-	16
Restricted share issuance	476	2	58	-	60
Shares issued through release of OilServ, LLC indemnification provisions	294	2	104	-	106
Net income	-	-	-	740	740
Balance at March 31, 2024	27,356	$ 135	$ 49,148	$ (48,933)	$ 350

See accompanying notes to the condensed consolidated financial statements.

ENSERVCO CORPORATION AND SUBSIDIARY

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	For the Nine Months Ended

	September 30,	
	2023	**2022**
Operating Activities:		
Net loss	$ (6,574)	$ (3,871)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	2,821	3,317
(Gain) loss on disposal of equipment	(109)	258
Impairment loss	250	-
Board compensation issued in equity	82	60
Write-off of inventories	53	52
Gain on debt extinguishment	-	(4,277)
Interest paid-in-kind on line of credit	-	119
Stock-based compensation	251	655
Amortization of debt issuance costs and discount	208	46
Severance cost incurred through issuance of restricted shares	-	112
Deferred income tax benefit	(16)	-
Bad debt recovery	(100)	-
Changes in operating assets and liabilities:		
Accounts receivable	3,201	1,577
Inventories	31	44
Prepaid expense and other current assets	1,098	950
Amortization of operating lease assets	430	543
Other assets	22	(160)
Accounts payable and accrued liabilities	(1,223)	1,581
Operating lease liabilities	(455)	(552)
Other liabilities	(70)	(304)
Net cash (used in) provided by operating activities	(100)	150
Investing Activities:		
Purchases of property and equipment	(115)	(220)
Proceeds from disposals of property and equipment	681	361
Collections on note receivable	62	-
Net cash provided by investing activities	628	141
Financing Activities:		
Proceeds from February 2023 Offering, net	2,952	-
Proceeds from exercise of pre-funded warrants	11	-
Term loan contractual repayments	-	(350)

Term loan repayment consummated in conjunction with Refinance	-	(8,400)
Establishment of LSQ Facility consummated in conjunction with Refinance	-	2,400
Establishment of Utica Facility consummated in conjunction with Refinance, net	-	6,000
Net LSQ Facility repayments	(2,109)	(1,550)
Utica Facility repayments	(1,273)	(480)
Troubled debt restructuring accrued future interest payments	-	(176)
March 2022 Convertible Note proceeds, net, related party	-	963
July 2022 Convertible Note proceeds, net, related party	-	1,200
September 2023 Convertible Notes, net, related parties	1,088	-
Cross River Revolver Note proceeds	-	225
Repayments of long-term debt	(46)	(43)
Payments on financed insurance	(876)	-
Payments of finance leases	(10)	(18)
Net cash used in financing activities	(263)	(229)
Net Increase in Cash and Cash Equivalents	265	62
Cash and Cash Equivalents, beginning of period	35	149
Cash and Cash Equivalents, end of period	$ 300	$ 211
Supplemental Cash Flow Information:		
Cash paid for interest	$ 1,404	$ 846
Non-Cash Investing and Financing Activities:		
Establishment of EWB Obligation in conjunction with the Refinance	$ -	$ 1,000
Transfer of North Dakota property to assets held for sale	1,236	-
Acquisition of assets of OilServ, LLC through issuance of common stock	1,058	-
Financed insurance consummated with insurance renewals	1,773	532
Conversion of March 2022 Convertible Note to equity	1,200	-
Conversion of July 2022 Convertible Note to equity	1,200	-

	For the Three Months Ended March 31,	
	2024	2023
Operating Activities:		
Net income (loss)	$ 740	$ (1,004)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		

Depreciation and amortization	767	971
Gain on disposal of equipment	-	(1)
Stock-based compensation	76	196
LSQ Facility interest paid-in-kind	126	-
Amortization of debt issuance costs and discount	77	70
Deferred income tax benefit	-	(16)
Changes in operating assets and liabilities:		
Accounts receivable	(58)	243
Inventories	(10)	(1)
Prepaid expense and other current assets	178	481
Amortization of operating lease assets	132	139
Other assets	1	17
Accounts payable and accrued liabilities	(924)	(1,189)
Operating lease liabilities	(138)	(143)
Other liabilities	92	(242)
Net cash provided by (used in) operating activities	1,059	(479)
Investing Activities:		
Purchases of property and equipment	(77)	(49)
Proceeds from disposals of property and equipment	-	9
Purchase of intangible	(67)	-
Collections on note receivable	19	25
Net cash used in investing activities	(125)	(15)
Financing Activities:		
Proceeds from February 2023 Offering, net	-	2,952
Net LSQ Facility borrowings (repayments)	140	(334)
Utica Facility repayments	(545)	(294)
Repayments of long-term debt	-	(15)
Payments on financed insurance	(256)	(79)
Net cash (used in) provided by financing activities	(661)	2,230
Net Increase in Cash and Cash Equivalents	273	1,736
Cash and Cash Equivalents, beginning of period	201	35
Cash and Cash Equivalents, end of period	$ 474	$ 1,771

Supplemental Cash Flow Information:				
Cash paid for interest	$	256	$	312
Non-Cash Investing and Financing Activities:				
Partial conversion of March 2022 Convertible Note to equity	$	-	$	1,051

See accompanying notes to the condensed consolidated financial statements.

ENSERVCO CORPORATION AND SUBSIDIARY

Notes to the Condensed Consolidated Financial Statements

(Unaudited)

Note 1 – Basis of Presentation

Enservco Corporation ("Enservco") through its wholly-owned subsidiary (collectively referred to as the "Company", "we" or "us") provides various services to the domestic onshore oil and natural gas industry. These services include hot oiling and acidizing ("Production Services") and frac water heating ("Completion and Other Services").

The accompanying unaudited condensed consolidated financial statements have been derived from the accounting records of Enservco Corporation and its wholly-owned subsidiary, Heat Waves Hot Oil Service LLC ("Heat Waves"), (collectively, the "Company").

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all disclosures required by generally accepted accounting principles in the United States of America ("GAAP") for complete financial statements. In the opinion of management, all normal and recurring adjustments necessary to fairly present the interim financial information set forth herein have been included. The results of operations for interim periods are not necessarily indicative of the expected operating results of a full year or of future years.

The accompanying unaudited condensed consolidated financial statements were prepared in accordance with GAAP and follow the same accounting policies and methods of their application as the most recent annual financial statements. These interim financial statements should be read in conjunction with the financial statements and related footnotes included in the Annual Report on Form 10-K of Enservco Corporation for the year ended December 31, 2022. 2023. All intercompany balances and transactions have been eliminated in the accompanying condensed consolidated financial statements.

Note 2 – Summary of Significant Accounting Policies

Liquidity and Capital Resources Going Concern

Our condensed consolidated financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realization of assets and settlement of liabilities in the normal course of business. For the three months ended March 31, 2024, we generated income from operations of $1.3 million and net income of $740,000. For the nine three months ended September March 31, 2023, 30,2023,we generated net losses of approximately $3.0 million and $6.6 million, respectively. Our loss from operations decreased to approximately $2.6 million and $5.1 million for the three and nine months ended September 30,2023, respectively, compared with a loss from operations of approximately $2.6 million $459,000 and $7.2 million for the three and nine months ended September 30, 2022, respectively. a net loss of $1.0 million. As of September 30, 2023, March 31, 2024, we had cash and cash equivalents of $300,000 $474,000 and a working capital deficit of approximately $2.5 $5.0 million. Beginning in the latter part of 2022, hiring practices and headcount were significantly modified and reduced, and unprofitable locations were closed. We also disposed of non-core or underperforming assets, generating proceeds totaling $2.0 million since the beginning of 2023. Despite the recent developments and the contributing improvements to our financial position noted above, we believe that substantial doubt exists over our ability to continue as a going concern for twelve months after the date of issuance of this Quarterly Report on Form 10-Q.

The We utilize a cash forecast model to evaluate the ability of future cash flows to fund continuing operations. We analyze projected cash flows to determine if they are sufficient to fund the operations and obligations of the Company received net proceeds for a period of $3.0 million time that extends twelve months or more from the February 2023 Offering (see *Note 8 - Stockholders' Equity*). Recent conversions date of convertible debt to equity (see *Note the applicable filing. We 5 may - Debt*) by Cross River Partners, L.P. ("Cross River"), a related party entity controlled by Richard Murphy, the Company's CEO and Chairman, have reduced our indebtedness and associated interest costs, which has substantially improved our financial position.

In addition, the Company closed on and received $1.1 million of convertible debt financing in September 2023 (see *Note 5 - Debt*), to strengthen its financial position heading into the 2023-2024 heating season. As part of such convertible debt financing, the Company received an additional $562,500 of convertible debt financing in October 2023. Nonetheless, the Company plans to continue need to raise additional capital for its our growth and ongoing operations. As the Company seeks we seek additional sources of financing, there can be no assurance that such financing would be available to the Company us on favorable terms, or at all. The Company's Our ability to obtain additional financing in the through debt and equity capital markets, whether public or private, is subject to several factors including market and economic conditions, the Company's our performance, and investor sentiment with respect to us and our industry.

Pending Acquisition of Buckshot Trucking LLC

On March 19, 2024, Enservco entered into a membership interest purchase agreement (the "Buckshot Purchase Agreement") with Tony Sims, an individual resident of Colorado; Jim Fate, an individual resident of Colorado (together the “Sellers”), and Buckshot Trucking LLC, a Wyoming limited liability company (“Buckshot Trucking”), pursuant to which Enservco agreed to acquire from the Sellers all of the issued and outstanding membership interests of Buckshot Trucking (the “Buckshot Acquisition”) for $5,000,000 (the “Base Amount”), subject to a net working capital adjustment, plus up to $500,000, in the form of Enservco common stock, contingent upon satisfaction of certain conditions set forth in the Buckshot Purchase Agreement. The Base Amount consists of $3,750,000 in cash and $1,250,000 in shares of Enservco common stock based on the volume-weighted average of Enservco common stock for the 10-day period immediately preceding the closing date.

The issuance of the Enservco common stock pursuant to the Buckshot Purchase Agreement is subject to the prior approval or consent of the holders of a majority of the outstanding shares of Enservco common stock. On May 9,2024the Company filed a preliminary proxy statement with the SEC for the solicitation of proxies in connection with the Company's upcoming annual meeting to consider and its industry. vote on the stock issuance pursuant to the Buckshot Purchase Agreement, among other matters.

Additional information about the pending Buckshot Acquisition is set forth in our Current Report on Form 8-K filed with the SEC on March 25, 2024.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company continually monitors its positions with, and the credit quality of, the financial institutions with which it maintains its deposits. Enservco maintains its excess cash in one two separate financial institution, where institutions; however, deposits may exceed federally insured amounts at times.

Accounts Receivable

Accounts receivable are stated at the amounts billed to customers, net of an allowance for uncollectible accounts. The Company provides an credit losses. We make estimates of expected credit and collectability trends for the allowance for uncollectible accounts credit losses based on a review upon our assessment of outstanding receivables, various factors, including historical collection information and existing economic conditions. The allowance for uncollectible amounts is continually reviewed and adjusted to maintain experience, the allowance at a level considered adequate to cover potential future credit losses. This allowance is management's best estimate age of uncollectible amounts and is determined based on historical collection experience related to the accounts receivable coupled with a review balances, credit quality of the status our customers, current economic conditions, reasonable and supportable forecasts of existing receivables future economic conditions, and the creditworthiness of its underlying other factors that may affect our ability to collect from customers. The losses ultimately incurred could differ materially in the near term from the amounts estimated in determining this the allowance. As of September 30, 2023 March 31, 2024 and December 31, 2022, 2023, the Company had an allowance for doubtful accounts credit losses of approximately $50,000. $100,000. For the three and ninemonths ended September 30, March 31, 2024 and 2023,the Company recorded $0 and $100,000 to bad debt recovery, respectively. For the three and nine months ended September 30, 2022, the Company recorded $0 to did not record any bad debt expense while writing off $237,000 in uncollectible accounts. or bad debt recovery.

Concentrations

For Revenues from two customers represented 10% or more of total revenues, at 33% and 23%, respectively, for the three months ended September 30, 2023, March 31, 2024. revenues Revenues from one customer represented 20%10% or more of the Company's total revenues. For the nine months ended September 30,2023,revenues, from two customers represented 28% and 12% at 45%, respectively, of the Company's total revenues. For for the three months ended September 30, 2022, March 31, 2023. revenues from two customers represented 16% and 11%, respectively, of the Company's total revenues. For the nine months ended September 30, 2022, revenues from one customer represented 26% of the Company's total revenues. As of September 30 March

31, 2024, 2023,notwo customers represented more than 10% of the Company's accounts receivable. receivable balance at 32% and 24%, respectively. As of December 31, 2022, 2023, one customer two customers represented more than 55% 10% of the Company's accounts receivable. receivable balance at 50% and 18%, respectively.

Inventories

Inventories consist primarily of propane, diesel fuel and chemicals that are used in the servicing of oil wells and are carried at the lower of cost or net realizable value in accordance with the first in, first out method of accounting ("FIFO"). The Company periodically reviews the value of items in inventories and provides write-downs or write-offs of inventories based on its assessment of market conditions. Write-downs and write-offs are charged to cost of goods sold. For the three and ninemonths ended September 30, March 31, 2024 and 2023,the Company wrote-off approximately $53,000 did not recognize any write-downs or write-offs of inventories. For the three and nine months ended September 30, 2022, the Company wrote-off approximately $52,000 of inventories.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. The Company charges repairs and maintenance against income when incurred and capitalizes renewals and betterments which extend the remaining useful life or expand the capacity or efficiency of the assets. Depreciation is recorded on a straight-line basis over estimated useful lives ranging from 5five to 30thirty years.

When property and equipment is either sold or disposed of, the cost and related accumulated depreciation of the property and equipment sold or disposed is removed from the accounting records. Any difference between the net book value of the property and equipment and the proceeds of an asset's the assets' sale, or settlement of an insurance claim, is recorded as a gain or loss in the Company's condensed consolidated statements of operations.

Leases

The Company conducts a major part of its operations from leased facilities. Each of these leases is accounted for as an operating lease. The Company leases trucks and equipment in the normal course of business, which may be recorded as operating or finance leases, depending on the term of the lease.

Lease assets and liabilities are initially recognized based on the present value of the future minimum lease payments over the lease term at the lease start date. When our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the lease start date in determining the present value of future lease payments. The lease asset is increased by any lease payments made at or before the lease start date and reduced by lease incentives and initial direct costs incurred. The lease term includes options to renew or terminate the lease when it is reasonably certain that we will exercise that option. The exercise of lease renewal options is at our sole discretion. Lease expense for operating leases is recognized on a straight-line basis over the lease term. The Company recognizes depreciation expense and interest expense for finance leases.

Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. During For the nine three months ended September 30, 2023, March 31, 2024 the Company ceased operations in North Dakota and began the process to sell its remaining property there. As a result of this, 2023, the Company concluded that there were no triggering events which could indicate potential impairment of this its long-lived asset group were present. The resulting analysis for impairment of this long-lived asset group ultimately determined that an impairment charge was appropriate. As such, the Company recognized an impairment loss of $250,000 for the nine months ended September 30, 2023. Further, as of September 30, 2023 it was determined that the criteria laid out below for held for sale balance sheet classification had been met as of September 30, 2023 for this long-lived asset group and therefore were reclassified as "Assets held for sale" on the condensed consolidated balance sheet as of September 30, 2023.assets.

Assets Held for Sale

The Company classifies long-lived assets intended to be sold as held for sale in the period in which all of the following criteria are met: (1) management, having the authority to approve the action, commits to a plan to sell the asset or disposal group; (2) the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets; (3) an active program to locate a buyer and other actions required to complete the plan to sell the asset or disposal group have been initiated; (4) the sale of the asset or disposal group is probable, and transfer of the asset or disposal group is expected to qualify for recognition as a completed sale within one year, except if events or circumstances beyond our control extend the period of time required to sell the asset or disposal group beyond one year; (5) the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and (6) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

We initially measure a long-lived asset or disposal group that is classified as held for sale at the lower of carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of a long-lived asset or disposal group until the date of sale. We assess the fair value of a long-lived asset or disposal group less any costs to sell each reporting period it remains classified as held for sale and report any subsequent changes as an adjustment to the carrying value of the asset or disposal group, as long as the new carrying value does not exceed the carrying value of the asset at the time it was initially classified as held for sale. For the three and ninemonths ended September 30, 2023 March 31, 2024 and 2022, 2023, the Company recorded no impairment charges on its held for sale assets.

Upon determining that a long-lived asset or disposal group meets the criteria to be classified as held for sale, the Company ceases depreciation and reports long-lived assets and/or the assets and liabilities of the disposal group, if material, in the line item "Assets held for sale" in our condensed consolidated balance sheets.

Business Combinations

The Company follows the guidance provided for under ASC Accounting Standards Codification ("ASC") 805 *Business Combinations* (“ASC 805”) when evaluating the appropriate recording treatment of acquisition transactions. Initial steps included evaluating whether the Company obtains control of activities and assets of a business which accounts for the allocation of the purchase consideration to the assets and liabilities acquired at fair value, or if it is an asset acquisition which follows the purchase accounting method. The Company carefully evaluates specific facts and circumstances when applying the guidance in ASC 805.

Goodwill and Other Intangible Assets

Goodwill represents the excess purchase price over the fair value of identifiable assets received attributable to business acquisitions and combinations. Goodwill and other intangible assets are measured for impairment at least annually and/or whenever events and circumstances arise that indicate impairment may exist, such as a significant adverse change in the business climate. In assessing the value of goodwill, assets and liabilities are assigned to the reporting units and the appropriate valuation methodologies are used to determine fair value at the reporting unit level. Identified intangible assets are amortized using the straight-line method over their estimated useful lives.

For the three and nine months ended September 30, 2023 and 2022, the Company concluded that there were no triggering events which could indicate potential impairment of its goodwill and other intangible assets.

Revenue Recognition

The Company evaluates revenue when we can identify the contract with the customer, the performance obligations in the contract, the transaction price, and we are certain that the performance obligations have been met. Revenue is recognized when the service has been provided to the customer. Most of the Company's services and product offerings are short-term in nature. The time between invoicing and when payment is due under these arrangements is generally thirty to sixty days. Due to the nature of our business, the Company has no contractual arrangements that include multiple performance obligations.

The Company's agreements with its customers are often referred to as "price sheets" and sometimes provide pricing for multiple services. However, these agreements generally do not authorize the performance of specific services or provide for guaranteed throughput amounts. As customers are free to choose which services, if any, to use based on the Company's price sheet, the Company prices its separate services based on their standalone selling prices. Customer agreements generally do not provide for performance, cancellation, termination, or refund type provisions. Services based on price sheets with customers are generally performed under separately issued "work orders" or "field tickets" as services are requested.

Revenue is recognized for certain projects that take more than one day as projects over time, based on the number of days during the reporting period and the agreed upon price as work progresses on each project.

Earnings (Loss) Per Share

Basic earnings per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted earnings per common share is calculated by dividing net income (loss) by the diluted weighted average number of common shares outstanding for the period. The diluted weighted average number of common shares outstanding for the period is computed using the treasury stock method for Company common stock that may be issued for outstanding common stock options or and warrants and is computed using the if-converted method for convertible securities and convertible debt.debt instruments.

For the three months ended March 31, 2024, the Company had common stock options, warrants, and convertible debt instruments that are considered common stock equivalents that are considered in the computations of basic and diluted earnings per share. Due to the Company having net income for the nine three months ended March 31, 2024, shares issuable upon the conversion of all September 30, and October 2023 there were 115,000 unvested restricted Convertible Notes (as defined in *Note 5 - Debt* to the condensed consolidated financial statements) are included in the computation of diluted earnings per share. For the three months ended March 31, 2023, the Company had warrants, pre-funded warrants, and convertible debt instruments that are considered common stock equivalents that are considered in the computations of basic and diluted earnings per share. For the three months ended March 31 2023, due to the Company having a net loss for the period, shares issuable upon the exercise of outstanding warrants and convertible debt instruments are excluded from the computation of diluted earnings per share because their impact would be anti-dilutive. However, in accordance with service conditions ASC 260-10-45-13, the pre-funded warrants issued by the Company during the three months ended March 31, 2023 are included in the weighted average number of common shares outstanding used in the computation for basic and diluted earnings per share since they are participating share-based awards and are considered for that period.

The following table presents the reconciliation of basic to diluted weighted average number of common shares outstanding as of the grant date. For the three and nine months ended September 30, 2023, there were zero and 25,000 unvested restricted shares with performance conditions, respectively, included used in the computation for basic and diluted computing earnings per share and these shares are also participating share-based awards and are considered outstanding as of the grant date. For the three and nine months ended September 30, 2022, there were 242,500 unvested restricted shares included in the computation for basic and diluted earnings per share and these shares were also participating share-based awards and were considered outstanding as of the grant date. For the three and nine months ended September 30, 2022, there were 25,000 unvested restricted shares that had performance conditions and these shares were also participating share-based awards and were considered outstanding as of the grant date.

Outstanding warrants totaling 12,568,414 and 9,978,021 have been excluded from the computation of earnings per common share for the three and nine months ended September 30, 2023, respectively, as they would have been antidilutive. Outstanding warrants totaling 1,192,085 have been excluded from the computation of earnings per share for the three and nine months ended September 30, 2022 as they would have been antidilutive. period presented (in thousands):

Common shares issuable under terms of outstanding convertible notes have been excluded from the computation of earnings per share for the three and nine months ended September 30, 2023, respectively, as they would have been antidilutive.

Outstanding stock options to acquire an aggregate of 500,000 shares of Company common stock have been excluded from the computation of earnings per share for the three and nine months ended September 30, 2023, respectively, as they would have been antidilutive.

	For the Three Months Ended **March 31,**
	2024
Weighted average number of common shares outstanding, basic	26,934
Add:	
September and October 2023 Convertible Notes common stock equivalents	3,350
Weighted average number of common shares outstanding, diluted	30,284

Income Taxes

The Company recognizes deferred tax liabilities and assets based on the differences between the tax basis of assets and liabilities and their reported amounts in the condensed consolidated financial statements that will result in taxable or deductible amounts in future years. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities will be recognized in income in the period that includes the enactment date. A deferred tax asset or liability that is not related to an asset or liability for financial reporting is classified according to the expected reversal date. The Company records a valuation allowance to reduce deferred tax assets to an amount that it believes is more likely than not expected to be realized.

The Company accounts for any uncertainty in income taxes by recognizing the tax benefit from an uncertain tax position only if, in the Company's opinion, it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position.

Interest and penalties associated with tax positions are recorded in the period assessed as "Other expense" in the condensed consolidated statements of operations. The Company files income tax returns in the United States of America ("USA") and in the states in which it conducts its business operations. The Company's USA federal income tax filings for tax years 2020 through 2022 2023 remain open to examination. In general, the Company's various state tax filings remain open for tax years 2019 to 2022. 2023.

Fair Value

The fair value of an asset in is considered to be the price at which the asset could be sold in an orderly transaction between unrelated knowledgeable and willing parties. A liability's fair value in is defined as the amount that would be paid to transfer the liability to a new obligor, rather than the amount that would be paid to settle the liability with the creditor. Assets and liabilities recorded at fair value are measured using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy is broken down into three levels based on the reliability of the inputs as follows:

Level 1:	Quoted prices are available in active markets for identical assets or liabilities;
Level 2:	Quoted prices in active markets for similar assets and liabilities that are observable for the asset or liability; or
Level 3:	Unobservable pricing inputs that are generally less observable from objective sources, such as discounted cash flow models or valuations.

Financial and non-financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The Company did not have any transfers between hierarchy levels for the three months ended March 31, 2024 and nine 2023.

As of March 31, 2024 and 2023, the Company had no assets or liabilities that were required to be measured at fair value on a recurring basis.

When an assessment for impairment is required for its long-lived assets, the Company assesses the recoverability using the lowest level of cash flows taking into consideration timing and appropriate discount rates. When appropriate, market comparables may be used to determine if an asset may not be recoverable.

The Company valued its warrants and stock options using the Black-Scholes model for prior reporting periods. The Company did not have any warrants or stock options that required valuation during the three months ended September 30, 2023 and 2022. March 31, 2024.

Stock-based Compensation

Stock-based compensation cost is measured at the date of grant, based on the calculated fair value of the award as described below, and is recognized over the requisite service period, which is generally the vesting period of the equity grant.

The Company uses the Black-Scholes pricing model as a method for determining the estimated grant date fair value for all options awarded to employees, independent contractors, officers, and directors. The expected term of the options is based upon evaluation of historical and expected exercise behavior. The risk-free interest rate is based upon USA Treasury rates at the date of grant with maturity dates approximately equal to the expected life of the grant. Volatility is determined upon historical volatility of our stock and adjusted if future volatility is expected to vary from historical experience. The dividend yield is assumed to be zero as we have not historically paid dividends, nor do we anticipate paying any dividends in the foreseeable future.

Management Estimates

The preparation of the Company's condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the realization of accounts receivable, useful lives of long-lived assets, evaluation of impairment of long-lived assets, stock-based compensation expense, income tax provisions and the valuation of deferred taxes. Actual results could differ from those estimates.

Contingent Liabilities

From time-to-time, the Company will have contingent liabilities that arise in the course of business, usually as it pertains to certain lawsuits in which the Company is involved. When a future contingent liability becomes both probable and estimable, the Company will record a liability for the estimated amount, as well as any offsetting receivables in the event the claim is probable to be covered by an insurance policy. In the event there is a range of outcomes and no amount is determined to be most probable, the Company will record a liability and, if applicable due to likelihood of insurance coverage, a receivable for the low end of the range. In the event the Company makes a firm offer in order to settle a lawsuit, the Company will record a liability for the amount of the offer at that time.

Classification and Valuation of Warrants

The Company analyzes warrant instruments to determine the classification of the warrants as liabilities or equity. The Company's issued warrants are all classified as permanent equity.

The Company uses used a Black-Scholes model to determine the fair value of certain warrants. The expected term used was the remaining contractual term. Expected volatility is was based upon historical volatility over a term consistent with the remaining term. The risk-free interest rate is was derived from the yield on zero-coupon United States USA government securities with a remaining term equal to the contractual term of the warrants. The dividend yield is was assumed to be zero.

Reclassifications

Certain prior period amounts may have been reclassified for comparative purposes to conform to the current presentation. These reclassifications have no effect on the Company's condensed consolidated statements of operations.

Recent Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Statements - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires companies to measure credit losses utilizing a methodology that reflects expected credit losses and requires a consideration of a broader range of reasonable and supportable information to ascertain credit loss estimates. The standard is effective for fiscal years beginning after December 15, 2022. The Company adopted ASU 2016-13 in fiscal year 2023 and the adoption of this standard on January 1, 2023 ASU did not have a material impact on our its condensed consolidated financial statements.

Note 3 – Property and Equipment

Property and equipment consist of the following (in thousands):

	September 30, 2023	**December 31, 2022**	March 31, 2024	December 31, 2023
Trucks and vehicles	$ 49,364	$ 53,312	$ 48,099	$ 48,036
Other equipment	1,979	2,059	1,859	1,859
Buildings and improvements	501	2,600	632	619
Land	-	190		
Total property and equipment	51,844	58,161	50,590	50,514
Accumulated depreciation	(44,192)	(46,925)	(44,355)	(43,591)
Property and equipment, net	$ 7,652	$ 11,236	$ 6,235	$ 6,923

For the three and ninemonths ended September 30, March 31, 2024 and 2023,the Company recorded depreciation expense of approximately $0.9 million $764,000 and $2.8 million, respectively. For the three and nine months ended September 30, 2022, the Company recorded depreciation expense of approximately $1.0 million and $3.1 million, $914,000, respectively.

Note 4 – Intangible Assets

The components of our intangible assets are as follows (in thousands):

	September 30, 2023	**December 31, 2022**	March 31, 2024	December 31, 2023
Customer relationships	$ 626	$ 626	$ 626	$ 626
Patents and trademarks	441	441	441	441
Software			67	-
Total intangible assets	1,067	1,067	1,134	1,067
Accumulated amortization	(1,049)	(885)	(1,067)	(1,067)
Intangible assets, net	$ 18	$ 182		
Net carrying value			$ 67	$ -

The useful lives of our intangible assets were estimated to be between three and five years at inception. For Amortization expense for intangible assets for the three and ninemonths ended September 30, 2023 March 31, 2024 and 2022, 2023 was $0 and $54,000, respectively.

The following table represents the amortization expense was approximately $54,000 and $163,000, respectively. The intangible assets are expected to be fully amortized within for the next three twelve months. months ending March 31 (in thousands):

	2025	2026	2027	2028
Customer relationships	$ -	$ -	$ -	$ -
Patents and trademarks	-	-	-	-
Software	11	22	22	12
Total intangible asset amortization expense	$ 11	$ 22	$ 22	$ 12

Note 5 – Debt

Notes Payable

Long-term debt consists of the following (in thousands):

	September 30, 2023	**December 31, 2022**	March 31, 2024	December 31, 2023
Utica Facility	4,106	5,379	$ 2,840	$ 3,388
LSQ Facility	836	2,945	2,739	2,472
March 2022 Convertible Note with related party	-	1,200		
July 2022 Convertible Note with related party	-	1,200		
November 2022 Convertible Note with related party	1,200	1,200	1,200	1,200
September 2023 Convertible Notes with related party	1,113	-		
Real Estate Loan for a facility in North Dakota. Interest is at 5.75% with monthly principal and interest payment of $5,255 until October 3, 2023. Collateralized by land and property purchased with the loan.	8	54		
September and October 2023 Convertible Notes with related parties			1,675	1,675
Total long-term debt	7,263	11,978	8,454	8,735
Less debt discount and debt issuance costs	(364)	(548)	(217)	(295)
Less current portion	(2,312)	(4,409)	(7,298)	(5,267)
Long-term debt, net of debt discount and current portion	$ 4,587	$ 7,021		
Long-term debt, net of debt discount, debt issuance costs and current portion			$ 939	$ 3,173

Aggregate contractual principal maturities of debt for the twelve months ending September 30March 31 are as follows (in thousands):

2024	$ 2,312	
2025	4,032	$ 7,298
2026	919	1,156
Total	$ 7,263	$ 8,454

Refinancing

On March 24, 2022, the Company completed a refinancing transaction (the "Refinancing") in which it terminated an existing 2017 Amended Credit Facility with East West Bank, which had an outstanding principal balance of $13.8 million at the time of extinguishment. Bank. Pursuant to the pay-off letter dated as of March 18, 2022 by the Company, its certain wholly-owned subsidiary of the Company and East West Bank, in full satisfaction of the Company's obligations under the 2017 Amended Credit Facility, the Company paid East West Bank $8.4 million in cash and agreed to pay East West Bank 5%five percent of the net proceeds that the Company receives under the Receivables Financing (as defined below), up to a maximum of $1.0 million (the "EWB Obligation"). The Company paid off and satisfied the $1.0 million EWB Obligation in April 2023.

As part of the Refinancing, Heat Waves entered into a Master Lease Agreement (the "Utica Facility") with Utica Leaseco, LLC ("Utica"), pursuant to which Utica provided an equipment-collateralized loan to the Company in the amount of $6.2 million. $6.225 million. Under the Utica Facility, the Company is required to make 51 fifty-one monthly payments with initial payments beginning at $168,075 each and a surcharge of 1% of the monthly payment amount per month for every 0.25% that the prime rate of Comerica Bank exceeds 3.25%. The Company's current minimum payment as of September 30, 2023 March 31, 2024 under the Utica Facility is $202,000 $203,000 per month and the loan bears interest at 15.5% per annum. month. The aforementioned surcharge is discretionary on the part of Utica and was is calculated twice yearly, each on January 1 and July 1, beginning on July 1, 2022 2022. and January 1, 2023, and on each July 1 and January 1 thereafter. This surcharge is added to the monthly Basic Rent (as such term is defined in the Master Lease Agreement) due under the Utica Facility, and is due and payable with the next regularly scheduled Basic Rent payment under such schedule and on each payment date thereafter. Upon its maturity on At the end of the June 24, 2026, fifty-one month term, the Company is required to make a residual payment to Utica between 1% and 10% of the initial principal amount, or between $62,250 and $622,500 depending upon the Company's ratio of EBITDA to the sum of interest payments, cash paid for taxes and current debt and capital lease payments during the period. The Utica Facility is secured by all the Company's equipment and proceeds from sale of such equipment should the encumbered equipment be sold. equipment. The Company also has the option to prepay $1.0 million of the Utica Facility in exchange for a reduced payment schedule. The Company guarantees the obligations of Heat Waves under the Utica Facility.

Further, as part of the Refinancing, Heat Waves entered into an Invoice Purchase Agreement (the "Receivables Financing" or "LSQ Facility," and together with the Utica Facility, the "2022 Financing Facilities") with LSQ Funding Group, LLC ("LSQ") pursuant to which LSQ provides receivables factoring to Heat Waves. Under the Receivables Financing, LSQ advances up to 85% on accounts receivable factored by Heat Waves, up to a maximum of $10.0 million. LSQ receives fees equal to 0.1% of the receivables purchased in addition to a funds usage daily fee of 0.021% of the outstanding balance purchased. The Receivables Financing initially had an 18 eighteen-month term that and automatically renews for successive one-year periods after the initial term; however, it can be terminated upon giving proper notice and the payment of certain fees. The Receivables Financing is secured by a security interest in Heat Wave's accounts receivables and proceeds from such accounts receivable. Heat Wave's obligations under the Receivables Financing are guaranteed by the Company.

The Utica Facility and the LSQ Facility are subject to an Intercreditor Agreement dated on or about March 24, 2022 by and among Utica, LSQ, Heat Waves, and the Company (the "Intercreditor Agreement").

Lastly, as part of the Refinancing, the Company issued a $1.2 million convertible subordinated note (the "March 2022 Convertible Note") to Cross River. The March 2022 Convertible Note had a six-year term and accrued interest at 7% per annum.

As a result of the Refinancing, the Company recorded a $4.3 million gain on this transaction, as recorded in the line item "Gain on debt extinguishment" in the condensed consolidated statement of operations for the three months ended March 31, 2022.

In accordance with ASC 470-60, the Company assessed whether the Refinancing met the criteria of a troubled debt restructuring ("TDR"). Management's assessment of TDR accounting treatment for the Refinancing determined that the 2017 Amended Credit Facility was extinguished as the result of a TDR; however, TDR accounting did not apply to the 2022 Financing Facilities as the 2017 Amended Credit Facility was settled in full and therefore accounted for as a debt extinguishment.

Subordinated Debt with Related Parties

On December 21, 2021, the Company issued a subordinated non-convertible promissory note to Cross River for $220,000, which amount was subsequently reduced to $162,000 and then fully repaid in 2022.

On July 15, 2022, the Company entered a convertible subordinated promissory note (the "July 2022 Convertible Note") with Cross River whereby the Company received $1.2 million of capital for general working capital purposes. The July 2022 Convertible Note was set to mature six years from the date of issuance and carried interest at the rate of 7.75% per annum. The Company was required to make quarterly interest-only payments for the first year starting September 30,2022, followed by principal and interest payments for the remaining five years based upon a ten-year amortization schedule. The July 2022 Convertible Note was unsecured and junior and subordinate to indebtedness which the Company may now or at any time hereafter owe to any lender. Subject to any required stockholder approval, all or some of the outstanding principal and accrued but unpaid interest under the July 2022 Convertible Note was convertible at the option of Cross River into (i) common stock of the Company at a conversion price of $1.69 per share; or (ii) equity securities issued by the Company in an equity offering with minimum offering proceeds to the Company (net of any related placement agent or underwriting fees) of $1.2 million at the conversion price per equity security issued in such equity offering.

On September 22, 2022, the Company entered into a revolving credit facility with Cross River pursuant to which the Company issued a $750,000 revolving promissory note to Cross River (the "Cross River Revolver Note"). On November 3, 2022, the Company entered into a note exchange agreement with Cross River, pursuant to which Cross River loaned an additional $450,000 to the Company and exchanged the Cross River Revolver Note for a $1.2 million convertible secured subordinated promissory note (the "November 2022 Convertible Note") and received a five-year warrant to acquire 568,720 shares of Company common stock at $2.11 per share. These warrants are subject to limitation such that the number of shares that may be issued shall not exceed obligations under rules of regulations of the principal market. The November 2022 Convertible Note has a two-year term and accrues interest at 10.00% per annum, payable quarterly starting March 30, 2023 at the option of the Company in cash or the Company's common stock. Subject to any shareholder approval required by any exchange upon which the Company's common stock is then listed, the principal and accrued interest of the November 2022 Convertible Note is convertible into the Company's common stock at a conversion price equal to the lower of $2.11 per share or the price and terms the Company receives on its in the next public subsequent equity offering which was indexed with the completion in excess of the Company's February 2023 Offering (see *Note 8 - Stockholders' Equity*) $2.0 million. The November 2022 Convertible Note is was secured by two Company-owned parcels of real property located in North Dakota. On December 13, 2022, the Company sold one of these two parcels for a combination of cash and a promissory note/mortgage totaling $550,000. As consideration for Cross River releasing its security interest on such parcel, the Company agreed that it will enter entered into a collateral assignment of the security on such parcel back to Cross River in the event the buyer defaults on their promissory note/mortgage to the Company.

On March 28, 2023, Cross River converted approximately $1.1 million principal amount of the March 2022 Convertible Note into 2,275,000 shares of Company common stock. On June 13, November 22, 2023, the stockholders approved at Company sold the Company's 2023 second Annual Meeting of Stockholders the issuance parcel that was acting as collateral to Cross River, of up to 5,122,402 additional shares of Company common stock, including 2,400,000 shares of common stock issuable upon exercise of a five-year warrant, issuable to which was located in Killdeer, North Dakota, with Cross River upon releasing its conversion of certain convertible notes pursuant to a Note Conversion Agreement dated March 28, 2023 between security interest in the Company and Cross River.

On June 30, 2023, Cross River: 1) converted parcel in conjunction with the remaining $148,950 principal balance of the March 2022 Convertible Note into 322,402 shares of Company common stock; 2) converted the entire $1,200,000 principal balance of the July 2022 Convertible Note into 2,400,000 shares of Company common stock; and 3) received a five-year warrant to acquire 2,400,000 shares of Company common stock with an exercise price of $0.55 per share. sale.

On September 1, 2023, the Company issued a convertible promissory note in the amount of $750,000 to Cross River and a convertible promissory note in the amount of $50,000 to Kevin Chesser ("Chesser"), a director of the Company.

On September 11, 2023, pursuant to a Note Purchase Agreement (the "Note Purchase Agreement"), Cross River and Chesser exchanged the previously issued September 1, 2023 convertible promissory notes in the aggregate principal amounts of $750,000 and $50,000, respectively, for new convertible promissory notes (the "September and October 2023 Convertible Notes") with the same principal amounts. On the same date, pursuant to the Note Purchase Agreement, the Company also issued September New Convertible Notes in the aggregate principal amount of $125,000 to Angel Capital Partners, LP ("Angel Capital"), and in aggregate principal amount of $187,500 to Equigen, II, LLC ("Equigen"), an entity owned by Steven A. Weyel, a former director of the Company. The Septemberand October 2023 Convertible Notes have an eighteen-month term and accrue interest at 16.00% annually. The Company is required to make interest only payments on a quarterly basis at the end of each calendar quarter, beginning with the quarter ending December 31, 2023. The first quarterly interest payment is payable in shares of the Company's common stock based on the five (5) day moving average of the closing sales price of the common stock on the NYSE American immediately prior to December 31, 2023. For calendar quarters beginning March 31, 2024, the Company is required to make quarterly interest payments in cash within ten (10) days of the close of the quarter. The September and October 2023 Convertible Notes may not be prepaid by the Company. The Note Purchase Agreement contains certain covenants, including a covenant that, without the written approval of the holders of greater than 75% of the principal amount of the September and October 2023 Convertible Notes, restricts the Company's ability to (a) incur any new debt which is senior or pari-passu to the Septemberand October 2023 Convertible Notes, or (b) issue any new securities subject to certain exceptions.

If the Company closes on a new offering of equity securities (the "Equity Financing") of a minimum of $5,000,000 before the maturity date mentioned above, then, subject to any NYSE American shareholder approval requirements, the principal amount, together with all accrued but unpaid interest of the New September and October 2023 Convertible Notes, will automatically convert into shares of the same class and type at the same price and on the same terms and provisions as the securities issued to the other participants in the Equity Financing on the closing date of such Equity Financing; provided, however, at the option of the holder, the New September and October 2023 Convertible Notes may convert into such equity, (a) at $0.50 per share if the security sold in the Equity Financing is common stock or (b) at a share price which is 25% less than the lowest price per share of shares sold in the Equity Financing. Subject to any NYSE American shareholder approval requirements, the holders may convert their Convertible Notes at any time into the Company's common stock at a conversion price of $0.50 per share.

If a change of control of the Company or a sale of a substantial portion of any of its assets occurs prior to the maturity date mentioned above, the holder may elect to receive either (i) the principal amount plus accrued interest plus a premium that is equal to 25% of the principal amount or (ii) the right to convert the principal amount plus accrued but unpaid interest into the Company's common stock at a conversion price equal to a 25% discount to the five (5) day moving average of the closing sales price of the common stock on the NYSE American immediately prior to the transaction which results in a change of control of the Company.

In October 2023, pursuant to the September 2023 Note Purchase Agreement, Cross River purchased an additional $150,000 of New the September and October 2023 Convertible Notes and Richard Murphy, our Chief Executive Officer and Chair, purchased $100,000 of New the September and October 2023 Convertible Notes. Also in October 2023, Equigen and Angel Capital contemporaneously invested $187,500 and $125,000, respectively, in aggregate principal amount of New the September and October 2023 Convertible Notes.

During the In nine months ended September 30, 2023, April 2024, the Company renewed certain of its insurance policies. As part of this renewal, the Company financed $1.8 $1.5 million of the insurance payments to be made over future periods. This The related down payment on the April 2024 financed insurance liability is contained policy renewal was made in March 2024 in the line item "Accounts payable amount of $373,000 and accrued liabilities," with a corresponding financed insurance asset contained in is recognized within the line item "Prepaid expenses and other current assets," both assets" as presented on our condensed consolidated balance sheet as of September 30, 2023. March 31, 2024.

Debt Discount and Debt Issuance Costs

We capitalized certain debt discount and debt issuance costs incurred in connection with the various debt facilities executed by the Company. These costs were amortized to interest expense over the terms of the facilities on a straight-line basis. The remaining balance of the unamortized debt discount and debt issuance costs was $364,000 $217,000 as of September 30, 2023. March 31, 2024. For the three and nine months ended September 30, March 31, 2024 and 2023,the Company amortized approximately $69,000 $77,000 and $208,000, respectively, of these costs to "Interest expense" in the condensed consolidated statements of operations. For the three and nine months ended September 30, 2022, the Company amortized approximately $20,000 and $41,000, $70,000, respectively, of these costs to "Interest expense" in the condensed consolidated statements of operations.

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Note 6 – Income Taxes

Income tax expense during interim periods is based on applying an estimated annual effective income tax rate to year-to-date income, plus any significant unusual or infrequently occurring items which are recorded in the interim period. The provision for income taxes for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 differs from the amount that would be provided by applying the statutory USA federal income tax rate of 21% to pre-tax income primarily because of state income taxes and estimated permanent differences.

Based on management's judgement, the Company estimated that as of September 30, 2023 March 31, 2024 the amount of deferred tax liabilities that could reverse without an offsetting deferred tax asset was $257,000. $222,000. Due to this, the Company did not recognize a deferred tax benefit or expense for the three months ended March 31, 2024. For the three months ended March 31, 2023, the Company recognized a $16,000 deferred tax benefit for the nine months ended September 30, 2023. For the nine months ended September 30, 2022, the Company's income tax benefit of $0.9 million was adjusted by the valuation allowance which resulted in a net tax provision of zero. benefit.

Note 7 – Commitments and Contingencies

As of September 30, 2023March 31,2024, the Company leases facilities and certain office equipment under lease commitments that expire through SeptemberJune 2026. Future minimum lease payments for these operating and finance lease commitments for the twelve months ending March 31September30 are as follows (in thousands):

	Operating Leases	Finance Leases	Operating Leases	Finance Leases
2024	$ 523	$ 14		
2025	384	2	$ 435	$ 16
2026	269	-	364	-
2027			90	-
Total future lease payments	1,176	16	889	16
Less: imputed interest	(91)	(1)	(58)	-
Discounted value of lease obligations	$ 1,085	$ 15	$ 831	$ 16

The following table summarizes the components of our gross operating and finance lease costs (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		For the Three Months Ended March 31,	
	2023	**2022**	2023	**2022**	2024	**2023**
Operating lease cost:						
Current lease cost	$ 24	$ 13	$ 72	$ 62	$ 65	$ 24
Long-term lease cost	176	183	507	637	146	163
Total operating lease cost	$ 200	$ 196	$ 579	$ 699	$ 211	$ 187
Finance lease cost:						
Amortization of right-of-use assets	$ 3	$ 3	$ 10	$ 16	$ 3	$ 3
Interest on lease liabilities	-	-	1	1	-	-
Total finance lease cost	$ 3	$ 3	$ 11	$ 17	$ 3	$ 3

Our weighted-average lease term and discount rate used for leases were as follows:

	For the Nine Months Ended September 30,		For the Three Months Ended March 31,	
	2023	2022	2024	2023
Operating:				
Weighted-average lease term (years)	2.22	3.07	2.09	2.72
Weighted-average discount rate	6.40 %	6.38 %	6.40 %	6.39 %
Finance:				
Weighted-average lease term (years)	0.98	1.99	0.59	1.48
Weighted-average discount rate	5.59 %	5.59 %	5.59 %	5.59 %

Litigation

On May 22, 2022, Ali Safe, acting individually and on behalf of others, filed a class action complaint in United States USA District Court for the District of Colorado alleging that the Company and certain of its officers violated securities laws in relation to certain of its SEC Form 10-Q filings in 2021 which required amendments and restatements to such filings. On November 28, 2022, the plaintiff amended their complaint primarily to add Jan Lambert as lead plaintiff and to include Cross River Partners, L.P. and Cross River Capital Management, LLC as defendants.

On February 10, 2023, the Company filed a motion in the United States USA District Court of Colorado to dismiss the class action complaint, citing a lack of specific facts and evidence brought by the plaintiffs in alleging the Company and certain of its officers committed securities fraud. As described in On March 4, 2024, the motion requesting dismissal, USA District Court of Colorado dismissed the Company cites a lack and failure by the plaintiffs to bring significant and specific evidence in claiming thatMay 2022 class action complaint filed against the Company and certain of its officers acted in an intentionally fraudulenttwo current or misleading manner, in connection with former officers. On March 21, 2024, the Company restating its Form 10-Q financial filings for was informed by the first, second, plaintiff's attorney that no appeal will be filed andthird fiscal quarters of 2021, due to errors relating to complex and technical tax and accounting issues, which did not have an impact on revenue, operating expenses, operating loss, or adjusted EBITDA for the three2021 quarterly financial restatements.

We believe the class action complaint is baseless and considered dismissed without merit and have engaged counsel to vigorously defend the Company against the claim. The Company has Director's and Officer's insurance coverage to defend against such claims and the Company's insurance carriers have been notified about the lawsuit. While we believe the claim is without merit, there can be no assurances prejudice as of that a favorable final outcome will be obtained, and defending any lawsuit can be costly and can impose a significant burden on management and employees. Any litigation to which we are a party may result in an unfavorable judgment that may not be reversed upon appeal or in payments of substantial monetary damages or fines, or we may decide to settle such lawsuit on similarly unfavorable terms, either of which could materially adversely affect our business, financial condition, or results of operations. Furthermore, there can be no assurances that our insurance coverage will be available in sufficient amounts to cover such claim, or at all. date.

Note 8– Stockholders’ Stockholders’ Equity

February 2023 Offering of Common Stock and Warrants

On February 22, 2023, the Company entered into a Securities Purchase Agreement with certain investors, pursuant to which the Company agreed to issue and sell to the investors in a best-efforts public offering (i) 3,900,000 shares of Company common stock, (ii) pre-funded warrants to purchase 3,100,000 shares of Company common stock and (iii) common warrants to purchase 7,000,000 shares of Company common stock (the "February 2023 Offering"). The shares of common stock, or pre-funded warrants in lieu thereof, and the common warrants were sold in units, with each unit consisting of one share of common stock or one pre-funded warrant in lieu thereof and one common warrant. Each unit comprised of common stock and common warrants were sold at a per unit price of $0.50. Each unit comprised of pre-funded warrants and common warrants were sold at a per unit price of $0.495, which represents the same per unit price less the $0.005 per share exercise price of the pre-funded warrants. The common warrants are exercisable at a price of $0.55 per share, and have a five-year term. The net proceeds from the offering were $3.0 million, after deducting Placement Agent fees and other offering expenses. Offering expenses totaling $534,000 were charged to stockholders' equity and are recorded as a reduction of the proceeds from the February 2023 Offering. The Company used the net proceeds for general corporate purposes.

Conversion of Subordinated Debt to Equity (see Note 5 - Debt)

On March 28, 2023, Cross River converted approximately $1.1 million principal amount of the March 2022 Convertible Note into 2,275,000 shares of Company common stock. On June 30, 2023, Cross River: 1) converted the remaining $148,950 principal balance of the March 2022 Convertible Note into 322,402 shares of Company common stock; 2) converted the entire $1,200,000 principal balance of the July 2022 Convertible Note into 2,400,000 shares of Company common stock; and 3) received a five-year warrant to acquire 2,400,000 shares of Company common stock with an exercise price of $0.55 per share.

September 2023 Oilfield Equipment Asset Purchase Agreement

On September 11, 2023, the Company completed an asset purchase agreement (the "Asset Purchase Agreement"), acquiring all of the oilfield equipment assets of oilfield services providers Rapid Hot Flow LLC and Rapid Pressure Services, LLC, from OilServ, LLC (collectively, "OilServ, LLC"), in exchange for 2,939,133 shares of the Company's common stock, valued at $1,057,500. The total shares issued at closing was 2,645,220 shares of Company common stock, and the remaining shares will be issued upon satisfaction of the indemnification provisions.

Warrants

A summary of warrant activity for the nine three months ended September 30, 2023 March 31, 2024 is as follows (in thousands):

	Shares	Weighted Average Exercise Price		Weighted Average Remaining Contractual Life (Years)
Outstanding as of December 31, 2022	1,760,805	$	3.10	3.43

Issued	12,500,000		0.41	4.52
Exercised	(2,100,000)		0.005	-
Outstanding as of September 30, 2023	12,160,805	$	0.87	4.22
Exercisable as of September 30, 2023	12,160,805	$	0.87	4.22

	Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Outstanding as of December 31, 2023	11,160,805	$	0.95	3.95
Outstanding as of March 31, 2024	11,160,805	$	0.95	3.70
Exercisable as of March 31, 2024	11,160,805	$	0.95	3.70

NYSE Regulation Notice of Noncompliance

On May 2, 2023, the Company received notice from the NYSE that its equity balance as of December 31, 2022 had fallen below $2.0 million $2.0 million and therefore the Company was not in compliance with the NYSE American's continued listing standards under Section 1003(a)(i) in the NYSE American Company Guide (the "Company Guide"). As previously reported, the Company is also noncompliant with Section 1003(a)(ii) and Section 1003(a)(iii) of the Company Guide, as a result of its stockholder’s stockholders' equity being less than the required thresholds for each of the particular sections. The Company is now subject to the procedures and requirements set forth in Section 1009 of the Company Guide. The Company has until June 9, 2024 to regain compliance with the stockholders' equity continued listing standards or NYSE will initiate delisting proceedings. On January 10, 2023, the Company submitted a plan (the "Plan") in response to an earlier notice from the NYSE advising of actions the Company is taking to regain compliance with the continued listing standards by June 9, 2024, which Plan was accepted by the NYSE on February 14, 2023.

If the Company is not in compliance with all stockholders’ equity standards by June 9, 2024 or does not make progress consistent with the plan Plan during the plan Plan period, NYSE may will initiate delisting proceedings as it deems appropriate.

in accordance with the Company Guide. Included within the Company Guide is the opportunity for the Company to request a hearing and submit a cure of its equity deficit between the notice and hearing dates. The Company is taking steps has filed a preliminary proxy statement with the Securities and Exchange Commission containing a proposal for its shareholders to achieve compliance vote at the Company's Annual Stockholder Meeting later this year in support of the issuance of equity sufficient to complete its pending acquisition of Buckshot Trucking. The Company currently anticipates that it would update such preliminary proxy statement, or supplement a definitive proxy statement, to disclose the definitive terms of any such equity financing. The Company anticipates that it would receive stockholder approval on this proposal. The Company believes that approval of this proposal, the closings of the pending Buckshot Trucking acquisition and financing transactions, when combined with the conversion of certain existing convertible debt to equity, would satisfy the stockholders' equity standards of Section 1003(a) of the Company Guide by June 9, 2024. These steps include the conversions of convertible notes into equity as discussed in *Note 5 - Debt*. The Company anticipates being in compliance with the stockholders' equity continued listing standards of the NYSE American; however, threshold. However, there can be no assurance that the Company will ultimately obtain such financing, stockholder approval, convert certain existing convertible notes to equity and thus regain compliance with all applicable NYSE American listing standards. In such event, the Company's common stock would be delisted from the NYSE.

Note 9– Restricted Stock and Stock Options

Restricted Stock

Restricted shares issued pursuant to restricted stock awards are restricted as to sale or disposition. These restrictions lapse periodically, generally over a period of three years. Restrictions may also lapse for early retirement and other conditions in accordance with our established policies. Upon termination of employment, shares on which restrictions have not lapsed must be returned to us, resulting in restricted stock forfeitures. The fair market value on the date of the grant of the stock with a service condition is amortized and charged to income on a straight-line basis over the requisite service period for the entire award. The fair market value on the date of the grant of the stock with a performance condition shall be accrued and recognized when it becomes probable that the performance condition will be achieved. Restricted shares that contain a market condition are amortized and charged over the life of the award.

A summary of the restricted stock activity is presented below:

	Shares	Weighted Average Grant Date Fair Value
Restricted shares as of December 31, 2022	267,500	$ 2.44
Granted	139,262	1.26
Vested	(266,762)	1.86
Forfeited	(25,000)	1.02
Restricted shares as of September 30, 2023	115,000	$ 2.68

	Shares	Weighted Average Grant Fair Value
Restricted shares as of December 31, 2023	115,000	$ 2.68
Granted	476,192	0.25
Vested	(115,000)	2.68
Restricted shares as of March 31, 2024	476,192	$ 0.25

For The Company granted 476,192 restricted shares to members of the Board of Directors as compensation for Board services and recognized expense of $60,000 related to the award of these shares in "Sales, general, and administrative" expenses in the condensed consolidated statements of operations during the three and nine months ended September 30, 2023, March 31, 2024. the Company recognized As of March 31, 2024, there is $60,000 of unamortized stock-based compensation expense for restricted stock to be amortized over the next three months, all of approximately $44,000 and $224,000, respectively, in "Sales, general, and administrative expenses" in which relates to the condensed consolidated statements 2024 Board of operations. Directors fees. For the three and nine months ended September 30, 2022, March 31, 2023, the Company recognized stock-based compensation costs for restricted stock of approximately $159,000 and $655,000, respectively, $196,000 in "Sales, general, and administrative expenses" administrative" expenses in the condensed consolidated statements of operations.

Compensation cost is revised if subsequent information indicates that the actual number of restricted stock vested due to service is likely to differ from previous estimates.

As of September 30, 2023, there is $44,000 of unamortized stock-based compensation expense for restricted stock to be amortized over the next three months.

The Company awarded 79,262 restricted shares for the 2023 Board of Directors fees and recognized expense of $21,000 and $62,000 related to the award of these shares for the three and nine months ended September 30, 2023, respectively.

The Company issued 50,000 restricted shares during the nine months ended September 30, 2022 as part of the severance agreement related to the resignation of a former Chief Financial Officer. This issuance had a grant date fair value of approximately $112,000 and the expense for this issuance was recognized within the line item "Severance and transition costs" in the condensed consolidated statement of operations for the nine months ended September 30, 2022. Unvested restricted performance share-based awards totaling 61,000 shares were forfeited as part of the severance agreement.

Stock Options

On July 18, 2016, the Board of Directors unanimously approved the adoption of the Enservco Corporation 2016 Stock Incentive Plan (the "2016 Plan"), which was approved by the stockholders on September 29, 2016. The aggregate number of shares of Company common stock that may be granted under the 2016 Plan is 533,334 shares plus authorized and unissued shares from the 2010 Plan totaling 159,448, for a total reserve of 692,782 shares. As of September March 31, 2024, 30,2023, there were 250,000 options and 15,000 shares of restricted stock that remained outstanding under the 2016 Plan.

On September 11, 2023, the Company granted stock options to certain key employees to acquire 500,000 shares of the Company's common stock at an exercise price of $0.41 per share with 50% of such options vesting having vested on January 1, 2024, and the remaining balance vesting on January 1, 2025. In connection with the stock options issuance, the Company recognized stock-based compensation costs of $27,000 respectively, $16,000 for the three and ninemonths ended September 30, 2023. March 31, 2024. As of September 30, 2023, March 31, 2024, there is $148,000 $50,000 of unamortized stock-based compensation expense for stock options to be amortized over the next fifteennine months.

Note 10 – Segment Reporting

Enservco's reportable operating segments are Production Services "Production Services" and Completion "Completion and Other Services." These segments have been selected based on management's resource allocation and performance assessment in making decisions regarding the Company. The following is a description of the segments.

Production Services

This segment utilizes a fleet of hot oiling trucks and acidizing units to provide maintenance services to the domestic oil and gas industry. These services include hot oiling services and acidizing services. Hot oiling is utilized by customers to remove paraffins from wellbores, pipes and vessels. Acidizing services are utilized by customers to clean reservoir surfaces and increase flow rates.

Completion and Other Services

This segment utilizes a fleet of specialized heating units to provide frac water heating services and related support services to the domestic oil and gas industry. These services also include other services for other industries, which consist primarily of hauling and transport of materials and heat treating for customers. Frac water heating is utilized by customers during the completion of oil and gas wells.

Unallocated

This segment includes general overhead expenses and assets associated with managing all reportable operating segments which have not been allocated to a specific segment.

The following tables set forth certain financial information with respect to Enservco's reportable segments (in thousands):

Production Services	**Completion and Other Services**	**Unallocated**	**Total**	Production Services	Completion and Other Services	Unallocated	Total

For the Three Months Ended September 30, 2023:								
For the Three Months Ended March 31, 2024:								
Revenues	$ 2,623	$ 314	$ -	$ 2,937	$ 2,485	$ 7,307	$ -	$ 9,792
Cost of revenues	3,151	435	-	3,586	2,121	4,410	-	6,531
Segment loss	$ (528)	$ (121)	$ -	$ (649)				
Segment profit					$ 364	$ 2,897	$ -	$ 3,261
Depreciation and amortization	$ 663	$ 57	$ 185	$ 905	$ 306	$ 444	$ 17	$ 767
Capital expenditures	$ 29	$ 3	$ -	$ 32	$ 31	$ 46	$ -	$ 77
Identifiable assets(1)	$ 10,788	$ 928	$ 43	$ 11,759	$ 4,752	$ 6,903	$ 468	$ 12,123
For the Three Months Ended September 30, 2022:								
For the Three Months Ended March 31, 2023:								
Revenues	$ 2,788	$ 321	$ -	$ 3,109	$ 2,863	$ 6,049	$ -	$ 8,912
Cost of revenues	2,599	890	-	3,489	2,317	4,580	-	6,897
Segment profit (loss)	$ 189	$ (569)	$ -	$ (380)				
Segment profit					$ 546	$ 1,469	$ -	$ 2,015

Depreciation and amortization	$ 546	$ 432	$ 91	$ 1,069	$ 349	$ 409	$ 213	$ 971
Capital expenditures	$ 34	$ 27	$ -	$ 61	$ 23	$ 26	$ -	$ 49
Identifiable assets (1)	$ 9,017	$ 7,131	$ 206	$ 16,354	$ 7,540	$ 8,847	$ 1,897	$ 18,284

	Production Services	Completion and Other Services	Unallocated	Total
For the Nine Months Ended September 30, 2023:				
Revenues	$ 8,375	$ 7,203	$ -	$ 15,578
Cost of revenues	7,341	7,058	-	14,399
Segment profit	$ 1,034	$ 145	$ -	$ 1,179
Depreciation and amortization	$ 1,129	$ 1,089	$ 603	$ 2,821
Capital expenditures	$ 59	$ 56	$ -	$ 115
Identifiable assets(1)	$ 10,788	$ 928	$ 43	$ 11,759
For the Nine Months Ended September 30, 2022:				
Revenues	$ 8,645	$ 6,497	$ -	$ 15,142
Cost of revenues	7,976	6,724	-	14,700
Segment profit (loss)	$ 669	$ (227)	$ -	$ 442
Depreciation and amortization	$ 1,593	$ 1,440	$ 284	$ 3,317
Capital expenditures	$ 116	$ 104	$ -	$ 220
Identifiable assets(1)	$ 9,017	$ 7,131	$ 206	$ 16,354

Note to tables:

(1) Identifiable assets is calculated by summing the balances of net cash, accounts receivable, net; inventories; property and equipment, net; net right-of-use lease assets; assets held for sale; and other assets.

The following table reconciles segment profit (loss) reported above to the loss from operations reported in the condensed consolidated statements of operations (in thousands):

	For the Three Months Ended September 30,	
	2023	**2022**
Segment loss	$ (649)	$ (380)
Sales, general, and administrative expenses	(979)	(1,094)
Severance and transition costs	-	(2)
Loss on disposal of equipment	(67)	(93)
Depreciation and amortization	(905)	(1,069)
Loss from operations	$ (2,600)	$ (2,638)

	For the Three Months Ended March 31,	
	2024	2023
Segment profit	$ 3,261	$ 2,015
Sales, general, and administrative	(1,232)	(1,503)
Severance and transition	-	(1)
Gain on disposal of assets	-	1
Depreciation and amortization	(767)	(971)
Income (loss) from operations	$ 1,262	$ (459)

	For the Nine Months Ended September 30,	
	2023	**2022**
Segment profit	$ 1,179	$ 442
Sales, general, and administrative expenses	(3,364)	(3,763)
Severance and transition costs	(1)	(301)
Gain (loss) on disposal of equipment	109	(258)
Impairment loss	(250)	-
Depreciation and amortization	(2,821)	(3,317)
Loss from operations	$ (5,148)	$ (7,197)

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

The following discussion provides information regarding the results of operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, as well as our financial condition, liquidity and capital resources as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. The condensed consolidated financial statements and notes thereto contain detailed information that should be referred to in conjunction with this discussion.

Cautionary Note Regarding Forward-Looking Statements

The information discussed in this Quarterly Report on Form 10-Q ("Quarterly Report") includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). All statements, other than statements of historical facts, included herein concerning, among other things, planned capital expenditures, future cash flows and borrowings, pursuit of potential acquisition opportunities, our financial position, business strategy and other plans and objectives for future operations, are forward-looking statements. These forward-looking statements are identified by their use of terms and phrases such as "may," "expect," "estimate," "project," "plan," "believe," "intend," "achievable," "anticipate," "will," "continue," "potential," "should," "could," and similar terms and phrases. Although we believe that the expectations reflected in these forward-looking statements are reasonable, they do involve certain assumptions, risks and uncertainties. Our results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, among others:

- Our ability to obtain equity financing that, when combined with conversion of certain convertible notes and equity issuances, is sufficient to maintain our listing on the NYSE American exchange;
- Our ability to close on the pending Buckshot Trucking LLC acquisition and our related ability to increasingly transition to a logistics business;
- Our ability to obtain working capital on a timely basis from various sources, including from our 2022 Financing Facilities, in order to accommodate our business demands during our busiest periods during the winter heating season; demands;
- Our capital requirements and uncertainty of obtaining additional funding, whether equity or debt, on terms acceptable to us, especially during our slowest periods during the late spring through early fall; us;
- Constraints on us as a result of our indebtedness, including restrictions imposed on us under the terms of our Utica Facility Equipment Financing agreement and our ability to generate sufficient cash flows to repay our debt obligations and other payables;
- Excessive fluctuations in the prices for crude oil and natural gas and uncertainties in global crude markets which could likely result in exploration and production companies cutting back their capital expenditures for oil and gas well drilling which in turn would result in significantly reduced demand for our drilling completion services, thereby negatively affecting our revenues and results of operations;
- Competition for the services we provide in our areas of operations, which has increased significantly due to the recent increases in prices for crude oil and natural gas;
- Our ability to implement price increases to maintain or improve operating margins, which are dependent upon market and other factors beyond our control including the increased cost of labor, services, supplies, and materials due to persistent inflation;
- Continued Further interest rate increases could increase the cost of our variable rate indebtedness;

- Weather and environmental conditions, including the potential of abnormally warm winters in our areas of operations that adversely impact demand for our completion services;
- The impact of general economic conditions and supply chain shortages on the demand for oil and natural gas and the availability of capital which may impact our ability to perform services for our customers;
- The geographical diversity of our operations which adds significantly to our costs of doing business;
- Our ability to diversify our business operations by finding successful merger candidates, especially in the logistics segment;
- Our ability to successfully incorporate any potential merged company into our business;
- Our history of losses and working capital deficits which, at times, have been significant;
- Our ability to continue as a going concern;
- Our ability to retain key members of our senior management and key technical employees;
- Our ability to attract and retain employees, especially in our critical heating season, given tight labor markets;
- The impact of environmental, health and safety and other governmental regulations, and of current or pending legislation or regulations, including pandemic related mandates, with which we and our customers must comply;
- Reductions of leased federally owned property for oil exploration and production in addition to increased state and local regulations on drilling activity;
- Developments in the global economy as well as any further pandemic risks and resulting demand and supply for oil and natural gas;
- The risk of cyberattacks;
- Risks relating to any unforeseen liabilities;
- Federal and state initiatives and legislation relating to the regulation of hydraulic fracturing; fracturing, oil well royalty rates, and higher oil well bonding requirements;
- The price and volume volatility of our common stock;
- Our ability to remediate any material weakness in, or to maintain effective, internal controls over financial reporting and disclosure controls and procedures;
- Litigation including the current class action lawsuit, which could lead us to incur significant liabilities and costs or harm our reputation; and
- Other risks and uncertainties, including those listed under the section "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Finally, our future results will depend upon various other risks and uncertainties, including, but not limited to, those detailed in our filings with the SEC. Securities and Exchange Commission (the "SEC"). For additional information regarding risks and uncertainties, please read our filings with the SEC under the Exchange Act and the Securities Act, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements in this paragraph and elsewhere in this Quarterly Report. Other than as required under securities laws, we do not assume a duty to update these forward-looking statements, whether due to new information, subsequent events or circumstances, changes in expectations or otherwise.

Recent Developments

On September 1, 2023, the Company issued a convertible promissory note in the amount*Pending Acquisition of $750,000 to Cross River and a convertible promissory note in the amount of $50,000 to Kevin Chesser ("Chesser"), a director of the Company. Buckshot Trucking LLC*

On September 11, 2023 March 19, 2024, Enservco Corporation ("Enservco") entered into a membership interest purchase agreement (the "Buckshot Purchase Agreement") with Tony Sims, an individual resident of Colorado; Jim Fate, an individual resident of Colorado (together the "Sellers"), and Buckshot Trucking LLC, a Wyoming limited liability company ("Buckshot Trucking"), pursuant to a Note Purchase Agreement which Enservco agreed to acquire from the Sellers all of the issued and outstanding membership interests of Buckshot Trucking (the "Note Purchase Agreement" "Buckshot Acquisition") for $5,000,000 (the "Base Amount"), Cross River and Chesser exchanged the previously issued September 1, 2023 convertible promissory notes subject to a net working capital adjustment, plus up to $500,000, in the aggregate principal amounts form of $750,000 and $50,000, respectively, for new convertible promissory notes (the "September 2023 Convertible Notes") with the same principal amounts. On the same date, pursuant to the Note Purchase Agreement, the Company also issued September New Convertible Notes Enservco common stock, contingent upon satisfaction of certain conditions set forth in the aggregate principal amount Buckshot Purchase Agreement. The Base Amount consists of $125,000 to Angel Capital Partners, LP ("Angel Capital"), $3,750,000 in cash and $1,250,000 in aggregate principal amount shares of $187,500 to Equigen, II, LLC ("Equigen"), an entity owned by Steven A. Weyel, a director Enservco common stock based on the volume-weighted average of Enservco common stock for the Company. The September 2023 Convertible Notes have an eighteen-month term and accrue interest at 16.00% annually.

In October 2023, pursuant to 10-day period immediately preceding the September 2023 Note Purchase Agreement, Cross River purchased an additional $150,000 of New Convertible Notes and Richard Murphy, our Chief Executive Officer and Chair, purchased $100,000 of New Convertible Notes. Also in October 2023, Equigen and Angel Capital contemporaneously invested $187,500 and $125,000, respectively, in aggregate principal amount of New Convertible Notes.

Recent Market Conditionsclosing date.

The recovery issuance of the economy from Enservco common stock pursuant to the trough created during Buckshot Purchase Agreement is subject to the pandemic, coupled with geopolitical events prior approval or consent of the past eighteen months, holders of a majority of the outstanding shares of Enservco common stock. On May 9, 2024 the Company filed a preliminary proxy statement with the SEC for the solicitation of proxies in connection with the Company's upcoming annual meeting to consider and vote on the stock issuance pursuant to the Buckshot Purchase Agreement, among other matters.

Additional information about the pending Buckshot Acquisition is set forth in our Current Report on Form 8-K filed with the SEC on March 25, 2024.

Legal Matters

On May 22, 2022, Ali Safe, acting individually and on behalf of others, filed a class action complaint in USA District Court for the District of Colorado alleging that the Company and certain of its officers violated securities laws in relation to certain of its SEC Form 10-Q filings in 2021 which required amendments and restatements to such filings. On November 28, 2022, the plaintiff amended their complaint primarily to add Jan Lambert as lead plaintiff and to include Cross River Partners, L.P. and Cross River Capital Management, LLC as defendants. On February 10, 2023, the Company filed a motion in the USA District Court of Colorado to dismiss the class action complaint, citing a lack of specific facts and evidence brought by the plaintiffs in alleging the Company and certain of its officers committed securities fraud. On March 4, 2024, the USA District Court of Colorado dismissed the May 2022 class action complaint filed against the Company and two current or former officers. On March 21, 2024, the Company was informed by the plaintiff's attorney that no appeal will be filed and the class action complaint is considered dismissed without prejudice as of that date.

Recent Market Conditions

Increased global demand for energy products due to, among other things, a growing world economy as well as international conflicts creating upward pricing pressures has generally had a positive impact on the global and domestic oil prices and demand for gas markets and our business services throughout 2022, which softened during the first nine months of 2023. operations as a result. For the nine three months ended September 30, 2023 March 31, 2024, WTI crude oil price prices averaged $77 $78 per barrel, versus an average of $98 $76 per barrel for the comparable period last year. Despite a decline in total domestic rigs in operation, which was 623 621 domestic rigs in operation as of September 30, 2023 March 31, 2024 compared to 765 755 domestic rigs in operation as of September 30, 2022 March 31, 2023, we believe that demand for our services remains relatively strong although the domestic rigs in operation count as of September 30, 2023 remains below pre-pandemic domestic rigs in operation. The Company has continued continues to experience consistent demand and for its services, with micro and macro-economic conditions have continued to stabilize, still creating quality demand for domestic oil and gas, allowing the Company to expect further anticipate steady activity levels and continued margin improvement compared to over the prior year. coming years.

The Company's expectations for improved consistent activity are somewhat offset by the change in political environment and its uncertain impact on oil exploration and production, as well as increased inflation and rising interest costs. Reductions or limitations in leasing federal property for oil exploration, in addition to other measures impacting oil and gas supply and demand, have had an impact on the oil exploration and production industry. Finally, to the extent that state, local, and local federal governments increase regulations, there can be a negative impact to the oil exploration and production industry.

The full extent of the impact of future external influences such as those recently experienced from the pandemic, OPEC+ actions, USA governmental actions and US governmental positions oil price changes on our operations and financial performance depends on future developments that are uncertain and unpredictable. External events such as these and others can have a dramatic unpredictable, including any potential resurgence restrictions related to the pandemic, its impact on our business capital and operations. financial markets, any new information that may emerge concerning the severity of other strains of the virus, its spread to other regions as well as the actions taken to contain it, production response of domestic oil producers to lower oil prices, and the adherence to any actions by OPEC+.

OVERVIEW

Enservco Corporation ("Enservco") through its wholly-owned subsidiary (collectively referred to as the "Company", "we" or "us") provides various services to the domestic onshore oil and natural gas industry. These services include hot oiling and acidizing ("Production Services") and frac water heating ("Completion and Other Services").

We own and operate a fleet of specialized trucks, trailers, frac tanks and other well-site related equipment and serve customers in several major domestic oil and gas areas, including the Denver-Julesburg Basin ("DJ Basin")/Niobrara area in Colorado and Wyoming, the Bakken area in North Dakota, the San Juan Basin in northwestern New Mexico, the Marcellus and

Utica Shale areas in Pennsylvania and Ohio, the Jonah area, Green River and Powder River Basins in Wyoming, and the Eagle Ford Shale and East Texas Oilfield in Texas.

The Company's corporate offices are located at 14133 County Road 9 1/2, Longmont, CO 80504. Our telephone number is (303) 333-3678. Our website is *www.enservco.com*.

RESULTS OF OPERATIONS

Executive Summary

Our business is highly seasonal, with more than half of our revenues being generated in the colder seasons of each year (winter and spring). Accordingly, the second and third quarters of each year are traditionally slow seasons for our services, as frac water heating activities are mostly unnecessary for our customers during the warmer months of each year.

Revenues for the three months ended September 30, March 31, 2023 decreased 2024 increased by $172,000, $880,000, or 6% 10%, as compared to the same period in 2022. Revenues for the nine months ended September 30, 2023 increased by $436,000, or 3%, as compared to the same period in 2022. The year-over-year decrease for the three months ended 2023. This increase was primarily due to decreases increases in hot oiling and other warmer season activities within both frac heating service activity levels as well as price increases in our Pennsylvania and Colorado regions, coupled with the elimination of activities within the North Dakota region. These activities consisted of water hauling, hot oiling and occasional roustabout work. The decreases from these activities from within these regions were mostly offset by increases within the Texas regions for hot oiling and acidizing services. While these operational decisions led to a nominal decrease in revenues in the current period, the Company expects these to be a positive for the Company in future periods. The year-over-year increase for the nine months ended was primarily due to overall increased demand for our services within our markets, as well as earlier than usual completions activity occurring in Colorado in the current year. regions.

Segment profit for the three months ended September 30, 2023 decreased March 31, 2024 increased by $269,000, $1.2 million, or 71% 62%, as compared to the same period in 2022. Segment profit for the nine months ended September 30, 2023 increased by $737,000, or 167%, as compared to the same period in 2022. The decline in segment profit for the three months ended 2023. This increase was primarily the result of due to the reasons discussed above for revenues. The increase in revenues, combined with greater cost control at our sites decreasing segment profit for the nine months ended was primarily the result of elections to focus on more profitable activities, as well as the increased demand for our services within our markets. expenses.

Sales, general, and administrative expenses for the three and nine months ended September 30, 2023 were similar March 31, 2024 decreased by $271,000, or 18%, as compared to the same periods period in 2022. 2023. This decrease was primarily due to decreased legal costs associated with the class action lawsuit further discussed in *Note 7 - Commitments and Contingencies* to the condensed consolidated financial statements under the section titled "Litigation".

Net loss income for the three months ended September 30, 2023 March 31, 2024 was $3.0 million, $740,000, or a loss net income of $0.13 $0.03 per basic and diluted share, as compared to a net loss of $3.1 million, $1.0 million, or a loss of $0.27 $0.07 per basic and diluted share, for the same period in 2022. Net loss for the nine months ended September 30, 2023 2023. This

$1.7 million improvement was $6.6 million, or a loss of $0.35 per basic and diluted share, compared to a net loss of $3.9 million, or a loss of $0.34 per basic and diluted share, for the same period in 2022. Absent the non-recurring $4.3 million gain on debt extinguishment recognized in the first quarter of 2022, net loss improved in the nine months ended September 30, 2023 as compared primarily due to the prior year. This improvement was attributable to a year-over-year decrease in our loss from operations resulting from improvements in almost every operating expense category reasons discussed above for the current year. segment profit and sales, general, and administrative expenses.

Adjusted EBITDA for the three months ended September 30, 2023 was a loss of $1.5 March 31, 2024 increased by $1.2 million, or 125%, as compared to a loss of $1.3 million for the same period in 2022. Adjusted EBITDA for the nine months ended September 30, 2023 2023. This increase was a loss of $1.5 million compared to a loss of $2.6 million for the same period in 2022. These year-over-year changes were primarily attributable due to the year-over-year changes in our reasons discussed above for segment profits and losses, coupled with year-over-year changes in our sales, general, and administrative expenses (net of stock-based compensation and non-recurring legal expense) for both periods presented. profit. See the section below titled "Adjusted EBITDA" within this Item 2 for our definition of Adjusted EBITDA.

Segment Overview

Segment Results

Enservco's reportable operating segments are Production Services and Completion and Other Services. These segments have been selected based on management's resource allocation and performance assessment in making decisions regarding the Company. The following is a description of the segments.

Production Services

This segment utilizes a fleet of hot oiling trucks and acidizing units to provide maintenance services to the domestic oil and gas industry. These services include hot oiling services and acidizing services.

Completion and Other Services

This segment utilizes a fleet of specialized heating units to provide frac water heating services and related support services to the domestic oil and gas industry. These services also include other services for other industries, which consist primarily of hauling and transport of materials and heat treating for customers.

Unallocated

This segment includes general overhead expenses and assets associated with managing all reportable operating segments which have not been allocated to a specific segment.

The following tables set forth revenues from operations and segment (losses) profits for our business segments for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		For the Three Months Ended March 31,	
	2023	**2022**	2023	2022	2024	2023
REVENUES:						
Production services	$ 2,623	$ 2,788	$ 8,375	$ 8,645	$ 2,485	$ 2,863
Completion and other services	314	321	7,203	6,497	7,307	6,049
Total revenues	$ 2,937	$ 3,109	$ 15,578	$ 15,142	$ 9,792	$ 8,912

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		For the Three Months Ended March 31,	
	2023	**2022**	2023	**2022**	2024	2023
SEGMENT (LOSS) PROFIT:						
SEGMENT PROFIT:						
Production services	$ (528)	$ 189	$ 1,034	$ 669	$ 364	$ 546
Completion and other services	(121)	(569)	145	(227)	2,897	1,469
Total segment (loss) profit	$ (649)	$ (380)	$ 1,179	$ 442		
Total segment profit					$ 3,261	$ 2,015

Production Services

Production Services revenues, which accounted for 89% 25% of total revenues for the three months ended September 30, 2023 and 54% of total revenues for the nine months ended September 30, 2023 March 31, 2024, were similar decreased by $378,000, or 13%, as compared to the same periods period in 2022. 2023. This decrease was primarily due to decreased acidizing services in our Texas region, combined with decreased hot oiling activity levels in our Pennsylvania and Texas regions.

Hot oiling revenues for the three and nine months ended September 30, 2023 were similar March 31, 2024 decreased by $190,000, or 7%, as compared to the same periods period in 2022. 2023. This decrease was due to the reasons mentioned above.

Acidizing revenues for the three months ended September 30, 2023 were similar to the same period in 2022. Acidizing revenues for the nine months ended September 30, 2023 increased March 31, 2024 decreased by $152,000, $188,000, or 25% 75%, as compared to the same period in 2022. 2023. This increase for the nine months ended decrease was due to increased activity levels and demand for this service line in Texas, where the Company is focusing more of its efforts during the non-heating season to maximize revenue opportunities in that region of the country. reasons mentioned above.

Segment profit for Production Services for the three months ended September 30, 2023 March 31, 2024 decreased by $717,000, $182,000, or 380% 33%, as compared to the same period in 2022. Segment profit for Production Services for the nine months ended September 30, 2023 increased by $365,000, or 55%, as compared 2023. This decrease was primarily due to the same period in 2022. These year-over-year changes were primarily the result of the reasons discussed above for segment revenues, as well as the revenues and partially offset by greater cost control at our sites decreasing segment profit discussion within our "Executive Summary" section above. expenses.

Completion and Other Services

Completion and Other Services revenues, which accounted for 11% 75% of total revenues for the three months ended September 30, 2023, were similar to the same period in 2022. This segment's revenues, which accounted for 46% of total revenues for the nine months ended September 30, 2023 March 31, 2024, increased by $706,000, $1.3 million, or 11% 21%, as compared to the same period in 2022. 2023. This increase for the nine months ended was primarily due to earlier than usual completions increases in both frac heating service activity occurring levels as well as price increases in our Pennsylvania and Colorado in the current year. regions.

Segment profit for Completion and Other Services for the three months ended September 30, 2023 March 31, 2024 increased by $448,000, $1.4 million, or 79% 97%, as compared to the same period in 2022. Segment profit for Completion and Other Services for the nine months ended September 30, 2023 improved by $372,000, or 164%, as compared to the same period in 2022. These year-over-year changes were 2023. This increase was primarily the result of the reasons discussed above for segment revenues, as well as the revenues and combined with greater cost control at our sites decreasing segment profit discussion within our "Executive Summary" section above. expenses.

Historical Seasonality of Revenues

Because of the seasonality of our frac water heating business and, to a lesser extent, our hot oiling business, revenues generated during the cooler first and fourth quarters of our fiscal year, which constitute our "heating season," are typically significantly higher than revenues during the second and third quarters of our fiscal year. In addition, the revenues mix of our service offerings changes outside our heating season as our Completion and Other Services revenues (which includes frac water heating) typically decrease as a percentage of total revenues and our Production Services revenues increase as a percentage of total revenues. Thus, the revenues recognized in our quarterly financial statements in any given period are not indicative of the annual or quarterly revenues through the remainder of that fiscal year.

As an illustration of this quarter-to-quarter revenues seasonality, the Company generated 70% of its fiscal year 2023 and 2022 revenues (60% of 2021 revenues) during the first and fourth quarters compared to 30% of its 2022 revenues (40% of 2021 revenues) during the second and third quarters. each respective year.

Direct Operating Expenses

Direct operating expenses, which include labor costs, propane, fuel, chemicals, truck repairs and maintenance, supplies, insurance, and site overhead costs for our operating segments, for the three and nine months ended September 30, 2023 were similar March 31, 2024 decreased by $366,000, or 5%, as compared to the same periods period in 2022. 2023. This was the result of greater cost control at our sites year-over-year.

Sales, General, and Administrative Expenses

Sales, general, and administrative expenses for the three and nine months ended September 30, 2023 were similar March 31, 2024 decreased by $271,000, or 18%, as compared to the same periods period in 2022. 2023. This decrease was primarily due to decreased legal costs associated with the class action lawsuit further discussed in *Note 7 - Commitments and Contingencies* to the condensed consolidated financial statements under the section titled "Litigation".

Depreciation and Amortization

Depreciation and amortization expense for the three months ended September 30, 2023 March 31, 2024 decreased by $164,000, $204,000, or 15% 21%, as compared to the same period in 2022. Depreciation and amortization expense for the nine months ended September 30, 2023 decreased by $496,000, or 15%, as compared to the same period in 2022. These decreases were 2023. This decrease was primarily due to the selling and disposing of certain idle trucks and vehicles within our property and equipment, which began in the second half of 2022, continued throughout 2023 and continues to be assessed as well as into 2024. Reducing this even further was the sale of both of our Tioga property properties and building buildings in North Dakota which occurred in prior to the fourth quarter end of 2022, both 2023. All of which this disposition activity resulted in a smaller depreciable base in 2023 2024 on which our depreciation expense is calculated. Depreciation expense related to the equipment brought on through the Asset Purchase Agreement with OilServ, LLC has yet to be recognized in the current year given the timing of the transaction.

Loss Income (Loss) from Operations

Loss Income from operations for the three months ended September 30, 2023 March 31, 2024 was similar to the same period in 2022. Loss from operations for the nine months ended September 30, 2023 improved by $2.0 $1.3 million, or 28%, as compared to the same period in 2022. The improvement in a loss from operations for the nine months ended was the result of improvements in almost every operating expense category for the current year as compared to the prior year.

Interest Expense

Interest expense for the three months ended September 30, 2023 March 31, 2023 of $459,000. This improvement of $1.7 million was similar to the same period in 2022. Interest expense for the nine months ended September 30, 2023 increased by $531,000, or 50%, as compared to the same period in 2022. This increase was primarily due to the combination of interest expense associated with the 2022 Financing Facilities brought on through the Refinancing, the interest costs associated with certain of increases to our convertible promissory notes that we maintained throughout the current year periods, segment profits and the rising rate environment that currently exists at the macro level. reductions in our sales, general, and administrative expenses.

NON-GAAP FINANCIAL MEASURES

Adjusted EBITDA

Management believes that, for the reasons set forth below, Adjusted EBITDA (a non-GAAP measure) is a valuable measurement of the Company's liquidity and performance and is consistent with the measurements offered by other companies in Enservco's industry.

The following tables present table presents a reconciliation of our net losses income (loss) to our Adjusted EBITDA for each of the periods indicated (in thousands):

	For the Three Months Ended September 30, 2023	For the Three Months Ended September 30, 2022
Reconciliation from Net Loss to Adjusted EBITDA		
Net loss	$ (3,016)	$ (3,076)
Add back:		
Interest expense	476	448
Depreciation and amortization	905	1,069
EBITDA (non-GAAP)	(1,635)	(1,559)
Add back (deduct):		
Stock-based compensation	71	159
Severance and transition costs	-	2
Non-recurring legal expense	1	23
One-time software implementation cost	28	-
Loss on disposal of assets	67	93
Other income	(60)	(10)
Adjusted EBITDA (non-GAAP)	$ (1,528)	$ (1,292)

	For the Nine Months Ended September 30, 2023	For the Nine Months Ended September 30, 2022
Reconciliation from Net Loss to Adjusted EBITDA		
Net loss	$ (6,574)	$ (3,871)
Add back:		
Interest expense	1,584	1,053
Deferred income tax benefit	(16)	-

Depreciation and amortization	2,821	3,317
EBITDA (non-GAAP)	(2,185)	499
Add back (deduct):		
Stock-based compensation	251	655
Severance and transition costs	1	301
Non-recurring legal expense	364	23
One-time software implementation cost	28	-
(Gain) loss on disposal of assets	(109)	258
Impairment loss	250	-
Gain on debt extinguishment[1]	-	(4,277)
Other income	(142)	(102)
Adjusted EBITDA (non-GAAP)	$ (1,542)	$ (2,643)

(1) Relates to the Refinancing, as defined and described in *Note 5 - Debt* to the condensed consolidated financial statements.

	For the Three Months Ended March 31,	
	2024	2023
Reconciliation from Net Income (Loss) to Adjusted EBITDA		
Net income (loss)	$ 740	$ (1,004)
Add back (deduct):		
Interest expense	578	590
Deferred income tax benefit	-	(16)
Depreciation and amortization	767	971
EBITDA (non-GAAP)	2,085	541
Add back (deduct):		
Stock-based compensation	76	196
Severance and transition	-	1
Non-recurring legal and transaction costs	117	278
Gain on disposal of assets	-	(1)
Other income	(56)	(29)
Adjusted EBITDA (non-GAAP)	$ 2,222	$ 986

Use of Non-GAAP Financial Measures

Non-GAAP results are presented only as a supplement to the financial statements and for use within management's discussion and analysis based on GAAP. The non-GAAP financial information is provided to enhance the reader's understanding of the Company's financial performance, but no non-GAAP measure should be considered in isolation or as a substitute for financial measures calculated in accordance with GAAP. Reconciliations of the most directly comparable GAAP measures to non-GAAP measures are provided herein.

EBITDA is defined as net income (loss), before interest expense, income taxes, and depreciation and amortization. Adjusted EBITDA excludes stock-based compensation expense from EBITDA and, when appropriate, other items that management does not utilize in assessing the Company's ongoing operating performance as set forth in the next paragraph. None of these non-GAAP financial measures are recognized terms under GAAP and do not purport to be an alternative to net income (loss) as an indicator of operating performance or any other GAAP measure.

All of the items included in the reconciliation from net income (loss) to EBITDA and from EBITDA to Adjusted EBITDA are either (i) non-cash items (e.g., depreciation, amortization of purchased intangibles, stock-based compensation expense, impairment losses, etc.) or (ii) items that management does not consider to be useful in assessing the Company's ongoing operating performance (e.g., income taxes, gain or losses on sale of assets, severance and transition costs, other expense (income), non-recurring legal expense, and transaction costs, etc.). In the case of the non-cash items, management believes that investors can better assess the company's operating performance if the measures are presented without such items because, unlike cash expenses, these adjustments do not affect the Company's ability to generate free cash flow or invest in its business.

We use, and we believe investors benefit from the presentation of, EBITDA and Adjusted EBITDA in evaluating our operating performance because it provides us and our investors with an additional tool to compare our operating performance on a consistent basis by removing the impact of certain items that management believes do not directly reflect our core operations. We believe that EBITDA is useful to investors and other external users of our financial statements in evaluating our operating performance because EBITDA is widely used by investors to measure a company's operating performance without regard to items such as interest expense, taxes, and depreciation and amortization, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired.

Because not all companies use identical calculations, the Company's presentation of non-GAAP financial measures may not be comparable to other similarly titled measures of other companies. However, these measures can still be useful in evaluating the Company's performance against its peer companies because management believes the measures provide users with valuable insight into key components of GAAP financial disclosures.

Changes in Adjusted EBITDA

Adjusted EBITDA for the three months ended September 30, 2023 decreased March 31, 2024 increased by $236,000, $1.2 million, or 18% 125%, as compared to the same period in 2022. Adjusted EBITDA for the nine months ended September 30, 2023 improved by $1.1 million, or 42%, as compared to the same period in 2022. These year-over-year changes were 2023. This increase was primarily attributable due to the year-over-year changes improvement in our segment profits and losses, coupled with the year-over-year changes in our sales, general, and administrative expenses (net of stock-based compensation and non-recurring legal expense) for both periods presented. profits.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following table summarizes our statements of cash flows for the nine three months ended September 30, March 31, 2024 and 2023 and 2022 (in thousands):

	For the Nine Months Ended September 30,	
	2023	**2022**
Net cash (used in) provided by operating activities	$ (100)	$ 150
Net cash provided by investing activities	628	141
Net cash used in financing activities	(263)	(229)
Net increase in cash and cash equivalents	$ 265	$ 62

	For the Three Months Ended March 31,	
	2024	2023
Net cash provided by (used in) operating activities	$ 1,059	$ (479)
Net cash used in investing activities	(125)	(15)
Net cash (used in) provided by financing activities	(661)	2,230
Net increase in cash and cash equivalents	$ 273	$ 1,736

Cash Flows from Operating Activities

Cash Cash provided by operating activities for the three months ended March 31, 2024 was $1.1 million compared to cash used in operating activities for the nine months ended September 30, 2023 was $100,000 compared to cash provided by operating activities of $150,000 $479,000 for the same period in 2022. 2023. This decrease increase in cash provided by operating activities of $250,000 $1.5 million was primarily due to improvement in our segment profits combined with a year-over-year reduction in sales, general and administrative expenses, partially offset by a reduction in our net working capital changes partially offset by year-over-year improvements in our segment profits. to accounts receivable and prepaid expense and other current assets.

Cash Flows from Investing Activities

Cash provided by used in investing activities for for the nine three months ended September 30, 2023 March 31, 2024 was $628,000 $125,000 compared to cash provided by investing activities of $141,000 $15,000 for the same period in 2022. 2023. This increase in cash provided by used in investing activities of $487,000 $110,000 was primarily due to a year-over-year increase software capitalized as an intangible asset in net proceeds from disposals and the current year, combined with increased purchases of property and equipment.

Cash Flows from Financing Activities

Cash used in financing activities for the nine three months ended September 30, 2023 March 31, 2024 was $263,000 $661,000 compared to cash used in provided by financing activities of $229,000 $2.2 million for the same period in 2022. 2023. This increase decrease in cash used in provided by financing activities of $34,000 $2.9 million was primarily due to an increase in year-over-year net repayments on our 2022 Financing Facilities, partially offset by current the prior year net proceeds resulting from the February 2023 Offering, and September 2023 Convertible Notes. which did not recur in the first quarter of 2024.

The following table sets forth a summary of certain aspects of our condensed consolidated balance sheet as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

	September 30, 2023	**December 31, 2022**	March 31, 2024	December 31, 2023
Current assets	$ 4,953	$ 5,960	$ 5,886	$ 5,722
Total assets	14,525	19,838	13,260	13,872
Current liabilities	7,497	10,241	10,867	10,028
Total liabilities	13,283	18,669	12,910	14,444
Working capital deficit (current assets net of current liabilities)	(2,544)	(4,281)	(4,981)	(4,306)
Stockholders' equity	1,242	1,169		
Stockholders' equity (deficit)			350	(572)

Overview

We have funded our operations primarily with proceeds from borrowings under our credit facilities, as well as debt financing arrangements with related parties, proceeds from sales of our equity securities and non-core or underperforming assets, and cash generated from operations. As of September 30, 2023 March 31, 2024, we had outstanding principal loan balances on our outstanding indebtedness of $7.3 million $8.5 million with a weighted average interest rate of 13.08% 14.80%.

On February 22, 2023, the Company entered into a Securities Purchase Agreement with certain investors, pursuant to which the Company agreed to issue and sell to the investors in a best-efforts public offering (i) 3,900,000 shares of Company common stock, (ii) pre-funded warrants to purchase 3,100,000 shares of Company common stock and (iii) common warrants to purchase 7,000,000 shares of Company common stock. The shares of common stock, or pre-funded warrants in lieu thereof, and the common warrants were sold in units, with each unit consisting of one share of common stock or one pre-funded warrant in lieu thereof and one common warrant. Each unit comprised of common stock and common warrants were sold at a per unit price of $0.50. Each unit comprised of pre-funded warrants and common warrants were sold at a per unit price of $0.495, which represents the same per unit price less the $0.005 per share exercise price of the pre-funded warrants. The common warrants are exercisable at a price of $0.55 per share, and have a five-year term. The net proceeds from the offering were $3.0 million, after deducting

Placement Agent fees and other offering expenses payable by the Company. The Company used the net proceeds for general corporate purposes.

On March 28, 2023, Cross River converted approximately $1.1 million principal amount of the March 2022 Convertible Note into 2,275,000 shares of Company common stock. On June 30, 2023, Cross River: 1) converted the remaining $148,950 principal balance of the March 2022 Convertible Note into 322,402 shares of Company common stock; 2) converted the entire $1,200,000 principal balance of the July 2022 Convertible Note into 2,400,000 shares of Company common stock; and 3) received a five-year warrant to acquire 2,400,000 shares of Company common stock with an exercise price of $0.55 per share.

On September 1, 2023, the Company issued a convertible promissory note in the amount of $750,000 to Cross River and a convertible promissory note in the amount of $50,000 to Kevin Chesser ("Chesser"), a director of the Company.

On September 11, 2023, pursuant to a Note Purchase Agreement (the "Note Purchase Agreement"), Cross River and Chesser exchanged the previously issued September 1, 2023 convertible promissory notes in the aggregate principal amounts of $750,000 and $50,000, respectively, for new convertible promissory notes (the "September and October 2023 Convertible Notes") with the same principal amounts. On the same date, pursuant to the Note Purchase Agreement, the Company also issued September New and October 2023 Convertible Notes in the aggregate principal amount of $125,000 to Angel Capital Partners, LP ("Angel Capital"), and in aggregate principal amount of $187,500 to Equigen, II, LLC ("Equigen"), an entity owned by Steven A. Weyel, a former director of the Company. The September and October 2023 Convertible Notes have an eighteen-month term and accrue interest at 16.00% annually. The Company is required to make interest only payments on a quarterly basis at the end of each calendar quarter, beginning with the quarter ending December 31, 2023. The first quarterly interest payment is payable in shares of the Company's common stock based on the five (5) day moving average of the closing sales price of the common stock on the NYSE American immediately prior to December 31, 2023. For calendar quarters beginning March 31, 2024, the Company is required to make quarterly interest payments in cash within ten (10) days of the close of the quarter. The September and October 2023 Convertible Notes may not be prepaid by the Company. The Note Purchase Agreement contains certain covenants, including a covenant that, without the written approval of the holders of greater than 75% of the principal amount of the September and October 2023 Convertible Notes, restricts the Company's ability to (a) incur any debt which is senior or pari-passu to the September and October 2023 Convertible Notes, or (b) issue any new securities subject to certain exceptions.

In October 2023, pursuant to the September 2023 Note Purchase Agreement, a separate note purchase agreement, Cross River purchased an additional $150,000 of New September and October 2023 Convertible Notes and Richard Murphy, our Chief Executive Officer and Chair, purchased $100,000 of New September and October 2023 Convertible Notes. Also in October 2023, Equigen and Angel Capital contemporaneously invested $187,500 and $125,000, respectively, in aggregate principal amount of New September and October 2023 Convertible Notes.

Our capital requirements for the remainder of 2023 2024 are anticipated to include, but are not limited to, operating expenses, debt servicing, and capital expenditures, including maintenance of our existing fleet of assets.

Liquidity

As of September 30, 2023 March 31, 2024, our available liquidity was $527,000, which was comprised of our cash and cash equivalents balance of $300,000. Recent $474,000 as well as $53,000 available under the LSQ Facility. The recent convertible notes (see *Note 5 - Debt* to the condensed consolidated financial statements) mentioned above have injected fresh sources of financing, into the Company, which have improved our cash and overall financial position. Nonetheless, the Company we will need to raise additional capital for its ongoing operations. As the Company seeks we seek additional sources of financing, there can be no assurance that such financing would be available to the Company us on favorable terms, or at all. The Company's Our ability to obtain additional financing in the debt and equity capital markets, whether public or private, is subject to several factors including market and economic conditions, the Company's our performance, and investor sentiment with respect to the Company us and its our industry.

We believe that our available liquidity will not be sufficient to meet our current obligations for a period of twelve months from the date of the filing of this Quarterly Report on Form 10-Q. Accordingly, we have concluded that there is substantial doubt about our ability to continue as a going concern.

Working Capital

As of September 30, 2023 March 31, 2024, we had a working capital deficit of $2.5 $5.0 million, compared to a working capital deficit of $4.3 million $4.3 million as of December 31, 2022 December 31, 2023. This $1.8 million decrease $675,000 increase in working capital deficit was primarily attributable to the September and October 2023 Convertible Notes moving into current liability classification as of March 31, 2024 compared to non-current liability classification as of December 31, 2023, partially offset by reductions of our short-term debt obligations under accounts payable and accrued liabilities balances using cash generated throughout the 2022 Financing Facilities. first quarter of 2024.

Outlook

Our revenues are primarily derived from the performance of services within the domestic oil and natural gas industry, most specifically hot oiling, acidizing services, and frac water heating. Supplemental to these services, we occasionally perform hauling and labor services for our client base which typically occur during the slower revenues generating seasons of late spring, summer and early fall. As a service provider within the energy sector, we are subject to geopolitical influences, demand variances and the drilling activities of the industry. In addition, our frac water heating services are further impacted by the extent of cold weather during winter months. The price of crude oil and natural gas greatly impacts the levels of activities of our clients, which in turn impacts our business. Unforeseen disruptions within the worldwide ecosystem also influence demand, thereby impacting our business. The change in the federal government administration and the governmental shift, both at the federal and state level, to move away from fossil fuels and towards cleaner energy alternatives has weakened demand for our services over the past few years. We believe the swings in the demand for our services will continue to be cyclical, in addition to the annual seasonal swings our Company has historically experienced.

Over the past three years, we have experienced significant fluctuations in the demand for our services. The price of crude oil decreased from $52 per barrel in December 2019 to $24 per barrel in March 2020, subsequently rebounding to $55 per barrel in March 2021 and continued its upward trajectory to $77 $84 per barrel as of September 30, 2023 March 31, 2024. The number of domestic rigs in operation has followed this trend. In December 2019, the domestic rigs in operation count was at 805 domestic rigs in operation. 805. This number fell to 728 in March 2020, 417 in March 2021, and has since rebounded to 623 621 as of September 30, 2023 March 31, 2024. The domestic rigs in operation count has continued steady to stabilize at around 625 621 domestic rigs in operation through the filing date of this report. As previously indicated, we believe there historically has been a significant correlation between domestic rigs in operation and the demand for our services. While increases to total domestic rigs in operation and to energy demand in turn increases demand for some of our services, much of our revenues, specifically completion services revenues, are seasonal and there is no measurable way to anticipate the activity levels of these completion services or the impact of current warmer month demand on the upcoming winter months and heating season.

Our team has worked diligently to better position the Company to navigate some of the seasonal and demand swings within our industry. We have strengthened our balance sheet through the Refinancing proceeds from sales of our equity securities and the February 2023 Offering. non-core or underperforming assets, as well as certain convertible note conversions, all of which occurred in 2023. Our LSQ Facility has given continued to give us access to a significant portion of the revenues generated on each completed job through cash advances that are generally received within a few days of job completion. Our team has been strengthened by the addition of some key executives and elevation of top performers into roles that better leverage their skills for the benefit of the organization. We have worked diligently to reduce the costs absorbed with the slower months for labor, overhead and related expenses. The team is and has been focused on controlling general and administrative expenses, including those for wages, benefits and insurance, as well as costs related to operating as a public company. While we are still navigating some legacy obligations and the events of the past few years, we believe we are better positioning our Company to enjoy success within the markets we serve and control our costs during our slower revenues generating seasons than in the recent past. While there may be a long-term trend away from fossil fuels, we believe that there is also a realization that with supply chain shortages, fluctuations in semi-conductor and battery availability, and the process of infrastructure development, that there will be a continued demand for fossil fuels and our services which improve operating efficiencies of oil wells. Barring a sudden and unexpected decline in the price per barrel of crude oil, or a substantial reduction in the number of domestic rigs in operation, we believe our Company is positioning itself to enjoy improved operational results in the near future.

Capital Commitments and Obligations

Our capital obligations as of September 30, 2023 March 31, 2024 consist primarily of our 2022 Financing Facilities, the November 2022 Convertible Note and various September and October 2023 Convertible Notes. In addition, we also have scheduled principal payments under certain term loans, debt obligations, finance leases and operating leases. General terms and conditions for amounts due under these commitments and obligations are summarized in the notes to the condensed consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

As of September 30, 2023 March 31, 2024, we had no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to our stockholders.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no changes in our critical accounting policies since we filed our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined in Rule 12b-2 of the Exchange Act and are not required to provide the information under this Item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial and accounting officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial and accounting officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the fiscal quarter ended September 30, 2023 March 31, 2024, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on this evaluation, our principal executive officer and principal financial and accounting officer concluded that, during the period covered by this report, our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were not effective due to as management does not yet believe that prior year material weaknesses in internal controls over financial reporting related to the following: (i) the Company's application of the accounting for a warrant issued to a related party in connection with a conversion of subordinated debt to equity during the first quarter of 2021; (ii) the Company's eligibility to receive certain Employee Retention Credits through the CARES Act of 2020 which were recorded during the second quarter of 2021; and (iii) the Company's accounting for income taxes in connection with a change in control that occurred pursuant to the issuance of 4,199,998 shares of Company common stock during the first quarter of 2021. have been fully remediated. Notwithstanding the identified material weaknesses, as described below, as of September 30, 2023 March 31, 2024, management, including our principal executive officer and principal financial and accounting officer, believes that the unaudited condensed consolidated financial statements contained in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial condition, results of operations and cash flows for the fiscal period presented in conformity with GAAP.

We are In connection with the preparation of our consolidated financial statements in the process of continuing to implement measures to improve a prior period, management identified material weaknesses in our internal control over financial reporting reporting. These prior period material weaknesses allowed errors to remediate occur that were not detected in a timely manner, therefore requiring a re-evaluation for the accounting of certain transactions during that time. Management believes these prior period material weaknesses. We have identified additional processes weaknesses are being remediated through the efforts the Company has undertaken to enhance its system of evaluating and procedures and are working to appropriately apply applicable accounting requirements, and believe these enhanced processes should alleviate past deficiencies over complex implementing the accounting standards that apply to our financial statements and accounting for complex financial transactions. We have obtained instruments and accounting for income taxes, including through enhanced access to accounting standards literature, research materials, and documents, and have increased communication among analyses by our personnel and third-party professionals with whom we consult regarding complex accounting and tax applications. The elements In addition, the Company has undertaken and is currently undertaking a number of initiatives in its efforts to improve upon its control environment and, ultimately, remediate and prevent material weaknesses in future periods. These initiatives include but are not limited to upgrading its ERP and accounting system, as well as the addition of full-time resource(s) that have had extensive experience with and knowledge of a proper internal control framework and environment. Further, we plan to engage a third-party consulting firm to document and test on behalf of management the design and effectiveness of our remediation plan can only be accomplished internal control over time. financial reporting. We can offer no assurance that the measures we implement will be sufficient continue to remediate, enhance, monitor and test the material weaknesses we have identified design and effectiveness of these and other processes, procedures, and controls and make any further changes or avoid potential future material weaknesses. determine and obtain any additional resources management deems appropriate.

Changes in Internal Control over Financial Reporting

During the nine months ended September 30, 2023, we There have made progress toward achieving the effectiveness of our internal controls and disclosure controls. The actions that we are taking are subject to ongoing management and executive level review, as well as audit committee oversight. We will not be able to conclude whether the steps we are taking will fully remediate the material weaknesses been no significant changes in our internal control over financial reporting until we during the Company's quarter ended March 31, 2024 that have completed our remediation efforts and subsequent evaluation of their effectiveness. We may also conclude that additional measures may be required materially affected, or are reasonably likely to remediate the material weaknesses in materially affect, our internal control over financial reporting, which may necessitate further action. reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

On May 22, 2022, Ali Safe, acting individually and on behalf of others, filed a class action complaint in United States USA District Court for the District of Colorado alleging that the Company and certain of its officers violated securities laws in relation to certain of its SEC Form 10-Q filings in 2021 which required amendments and restatements to such filings. On November 28, 2022, the plaintiff amended their complaint primarily to add Jan Lambert as lead plaintiff and to include Cross River Partners, L.P. and Cross River Capital Management, LLC as defendants.

On February 10, 2023, the Company filed a motion in the United State USA District Court of Colorado to dismiss the class action complaint, citing a lack of specific facts and evidence brought by the plaintiffs in alleging the Company and certain of its officers committed securities fraud. As described in On March 4, 2024, the motion requesting dismissal, USA District Court of Colorado dismissed the Company cites a lack and failure by the plaintiffs to bring significant and specific evidence in claiming that May 2022 class action complaint filed against the Company and certain of its officers acted in an intentionally fraudulent two current or misleading manner, in connection with former officers. On March 21, 2024, the Company restating its Form 10-Q financial filings for was informed by the first, second, plaintiff's attorney that no appeal will be filed and third fiscal quarters of 2021, due to errors relating to complex and technical tax and accounting issues, which did not have an impact on revenue, operating expenses, operating loss, or adjusted EBITDA for the three 2021 quarterly financial restatements.

We believe the class action complaint is baseless and considered dismissed without merit and have engaged counsel to vigorously defend the Company against the claim. The Company has Director's and Officer's insurance coverage to defend against such claims and the Company's insurance carriers have been notified about the lawsuit. While we believe the claim is without merit, there can be no assurances prejudice as of that a favorable final outcome will be obtained, and defending any lawsuit can be costly and can impose a significant burden on management and employees. Any litigation to which we are a party may result in an unfavorable judgment that may not be reversed upon appeal or in payments of substantial monetary damages or fines, or we may decide to settle such lawsuit on similarly unfavorable terms, either of which could materially adversely affect our business, financial condition, or results of operations. Furthermore, there can be no assurances that our insurance coverage will be available in sufficient amounts to cover such a claim, or at all. date.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors set forth in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, filed on March 31, 2023 March 29, 2024, which is incorporated herein by reference.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

All recent sales of unregistered securities have been previously reported.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.None.

ITEM 6. EXHIBITS

Exhibit No.	Title
10.1	Convertible Promissory Note dated September 1, 2023 of Enservco Corporation issued to Cross River Partners, LP (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 8, 2023).
10.2	Convertible Promissory Note dated September 1, 2023 of Enservco Corporation issued to Kevin Chesser (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on September 8, 2023).
10.3	Asset Membership Interest Purchase Agreement dated as of September 11, 2023 March 19, 2024 among Enservco Corporation and Heat Waves Oil Service LLC Tony Sims, Jim Fate, and OilServ LLC, Rapid Hot Flow, LLC and Rapid Pressure Services, Buckshot Trucking LLC (incorporated by reference to Exhibit 10.1 to the Company's Company's Current Report on Form 8-K filed on September 15, 2023).
10.4	Note Purchase Agreement effective as of September 11, 2023 among Enservco Corporation and the investors named therein (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on September 15, 2023).
10.5	Form of Convertible Promissory Note dated September 11, 2023 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on September 15, 2023 March 25, 2024).
31.1*	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32**	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded with the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

ENSERVCO CORPORATION

Date: November 14, 2023 May 15, 2024

/s/ Richard A. Murphy

Director and Executive Chairman (Principal Executive Officer)

Date: November 14, 2023 May 15, 2024

/s/ Mark K. Patterson

Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

ENSERVCO CORPORATION

Certification of Principal Executive Officer
pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Richard A. Murphy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Enservco Corporation;
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 officers 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 that has materially affected or is reasonably likely to materially affect, the registrant’s internal control over financial reporting;

5. The registrant's other certifying officers 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 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: November 14, 2023 May 15, 2024

/s/ Richard A. Murphy

Director and Executive Chairman (Principal Executive Officer)

Exhibit 31.2

ENSERVCO CORPORATION

Certification of Principal Financial Officer

pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Mark K. Patterson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Enservco Corporation;

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 officers 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 that has materially affected or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officers 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 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: November 14, 2023 May 15, 2024

/s/ Mark K. Patterson

Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 32

ENSERVCO CORPORATION

Certification of Principal Executive Officer and Principal Financial Officer
pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q (the "Report") of Enservco Corporation (the "Company") for the quarter ended September 30, 2023 March 31, 2024, each of the undersigned Richard A. Murphy, the Principal Executive Officer, and Mark K. Patterson, the Principal Financial Officer and Principal Accounting Officer, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2023 May 15, 2024

/s/ Richard A. Murphy

Director and Executive Chairman (Principal Executive Officer)

Date: November 14, 2023 May 15, 2024

/s/ Mark K. Patterson

Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

The foregoing certifications are not deemed filed with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), and are not to be incorporated by reference into any filing *of Enservco Corporation under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing.*

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.