Solaris Midstream Holdings, LLC and Subsidiaries

Condensed Consolidated Financial Statements (Unaudited)

For the Three and Six Months Ended June 30, 2021 and 2020

Solaris Midstream Holdings, LLC and Subsidiaries

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Independent Auditor's Review Report

To the Board of Managers
Solaris Midstream Holdings, LLC
Houston, TX

Results of Review of Interim Financial Information

We have reviewed the condensed consolidated financial statements of Solaris Midstream Holdings, LLC and subsidiaries (the Company), which comprise the condensed consolidated balance sheet as of June 30, 2021, and the related condensed consolidated statements of operations for the three-month and six-month periods ended June 30, 2021 and 2020, and statement of members' equity and cash flows for the six-month periods ended June 30, 2021 and 2020, and the related notes (collectively referred to as the interim financial information).

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed interim financial information for it to be in accordance with accounting principles generally accepted in the United States of America.

Basis for Review Results

We conducted our reviews in accordance with auditing standards generally accepted in the United States of America (GAAS) applicable to reviews of interim financial information. A review of condensed interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of condensed interim financial information is substantially less in scope than an audit conducted in accordance with GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of Management for the Interim Financial Information

Management is responsible for the preparation and fair presentation of the condensed interim financial information in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of interim financial information that is free from material misstatement, whether due to fraud or error.

Report on Condensed Consolidated Balance Sheet as of December 31, 2020

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Company as of December 31, 2020, and the related consolidated statements of operations, changes in members' equity, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 19, 2021. In our opinion, the accompanying condensed consolidated balance sheet of the Company as of December 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

BDO USA, LLP

Houston, TX

August 9, 2021

Solaris Midstream Holdings, LLC and Subsidiaries
Condensed Consolidated Balance Sheets
(Dollars in thousands, except per unit and unit amount)
(Unaudited)

	June 30, 2021	December 31, 2020
Assets		
Cash and Cash Equivalents	$ 31,123	$ 24,932
Accounts Receivable, Net	25,928	21,561
Accounts Receivable from Affiliate	18,346	11,538
Other Receivables	3,278	3,722
Prepaids, Deposits and Other Current Assets	2,149	4,315
Total Current Assets	80,824	66,068
Fixed Assets		
Property, Plant and Equipment	706,806	661,446
Accumulated Depreciation	(56,826)	(43,258)
Total Property, Plant and Equipment, Net	649,980	618,188
Intangibles, Net	321,233	337,535
Goodwill	34,585	34,585
Other Assets	2,140	1,429
Total Assets	$ 1,088,762	$ 1,057,805
Liabilities, Mezzanine Equity and Members' Equity		
Accounts Payable	$ 10,414	$ 16,067
Payables to Affiliate	1,693	1,884
Accrued and Other Current Liabilities	37,259	27,838
Total Current Liabilities	49,366	45,789
Asset Retirement Obligation	5,629	5,291
Long-Term Debt, Net of Debt Issuance Costs	391,115	297,000
Deferred Revenue Liability and Other Long-Term liabilities	1,335	1,432
Total Liabilities	447,445	349,512
Commitment and Contingencies (Note 10)		
Mezzanine Equity:		
Redeemable Preferred Units, $10,000.00 par value, none issued or outstanding as of June 30, 2021 and 7,500 issued and 7,307 outstanding as of December 31, 2020	-	74,378
Members' Equity		
Class A units, $10.00 par value, 27,797,658 issued and outstanding as of June 30, 2021 and 27,797,207 issued and outstanding as of December 31, 2020	323,809	318,394
Class B units, $10.00 par value, 3,556,051 issued and outstanding as of June 30, 2021 and as of December 31, 2020	37,715	37,023
Class C units, $0.00 par value, 878,850 issued and outstanding as of June 30, 2021 and 806,350 issued and outstanding as of December 31, 2020	-	-
Class D units, $10.00 par value, 6,651,100 issued and outstanding as of June 30, 2021 and as of December 31, 2020	279,793	278,498
Total Members' Equity	641,317	633,915
Total Liabilities, Mezzanine Equity and Members' Equity	$ 1,088,762	$ 1,057,805

The accompanying notes are an integral part of these condensed consolidated financial statements.

Solaris Midstream Holdings, LLC and Subsidiaries
Condensed Consolidated Statements of Operations
(Dollars in thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Revenue				
Produced Water Handling	$ 46,074	$ 35,775	$ 85,810	$ 69,031
Water Solutions	10,510	1,870	16,963	15,061
Total Revenue	56,584	37,645	102,773	84,092
Cost of Revenue				
Direct Operating Costs	22,452	20,163	43,206	49,433
Depreciation, Amortization and Accretion	15,215	10,289	30,172	19,778
Total Cost of Revenue	37,667	30,452	73,378	69,211
Operating Expenses				
General and administrative	5,317	4,530	10,012	8,648
Loss on Disposal of Asset, Net	173	67	217	67
Transaction Costs	15	1,352	77	3,099
Abandoned Projects	1,145	498	1,356	1,133
Total Operating Expenses	6,650	6,447	11,662	12,947
Operating Income	12,267	746	17,733	1,934
Other Expense				
Interest Expense, Net	7,324	1,675	9,975	3,265
Loss on Debt Modification	380	-	380	-
Total Other Expense	7,704	1,675	10,355	3,265
Income (Loss) before Taxes	4,563	(929)	7,378	(1,331)
Income Taxes	2	2	2	6
Net Income (Loss)	$ 4,561	$ (931)	$ 7,376	$ (1,337)
Equity Accretion and Dividend Related to Redeemable Preferred Units	14	(417)	21	(417)
Net Income (Loss) Attributable to Members' Equity	$ 4,575	$ (1,348)	$ 7,397	$ (1,754)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Solaris Midstream Holdings, LLC and Subsidiaries
Condensed Consolidated Statements of Members' Equity
(Dollars and units in thousands)
(Unaudited)

	Three and Six Months Ended June 30, 2021								
	Class A		Class B		Class C		Class D		Total Members' Equity
	Units	Amount	Units	Amount	Units	Amount	Units	Amount	
Balance at January 1, 2021	27,797	$318,394	3,556	$37,023	807	$ -	6,651	$278,498	$633,915
Capital Contributions	1	5	-	-	-	-	-	-	5
Issuance of Class C Units	-	-	-	-	69	-	-	-	-
Equity Accretion and Dividend related to Redeemable Preferred Units	-	5	-	1	-	-	-	1	7
Net Income	-	2,059	-	263	-	-	-	493	2,815
Balance at March 31, 2021	27,798	320,463	3,556	37,287	876	-	6,651	278,992	636,742
Issuance of Class C Units	-	-	-	-	3	-	-	-	-
Equity Accretion and Dividend related to Redeemable Preferred Units	-	10	-	1	-	-	-	3	14
Net Income	-	3,336	-	427	-	-	-	798	4,561
Balance at June 30, 2021	27,798	$323,809	3,556	$37,715	879	$ -	6,651	$279,793	$641,317

	Three and Six Months Ended June 30, 2020								
	Class A		Class B		Class C		Class D		Total Members' Equity
	Units	Amount	Units	Amount	Units	Amount	Units	Amount	
Balance at January 1, 2020	22,104	$232,945	3,440	$36,296	833	$ -	6,386	$276,267	$545,508
Forfeiture of Class C Units	-	-	-	-	(26)	-	-	-	-
Net Loss	-	(281)	-	(44)	-	-	-	(81)	(406)
Balance at March 31, 2020	22,104	232,664	3,440	36,252	807	-	6,386	276,186	545,102
Issuance of Class A Units as consideration for the asset acquisition of Concho's Lea County, New Mexico produced water gathering, transportation and disposal assets	4,561	77,602	-	-	-	-	-	-	77,602
Forfeiture of Class C Units	-	-	-	-	(1)	-	-	-	-
Equity Accretion and Dividend related to Redeemable Preferred Units	-	(305)	-	(39)	-	-	-	(73)	(417)
Net Loss	-	(680)	-	(88)	-	-	-	(163)	(931)
Balance at June 30, 2020	26,665	$309,281	3,440	$36,125	806	$ -	6,386	$275,950	$621,356

The accompanying notes are an integral part of these condensed consolidated financial statements.

Solaris Midstream Holdings, LLC and Subsidiaries
Condensed consolidated Statements of Cash Flows
(Dollars in thousands)
(Unaudited)

	Six Months Ended June 30,	
	2021	**2020**
Cash Flow from Operating Activities		
Net Income (Loss)	$ 7,376	$ (1,337)
Adjustments to reconcile Net Income (Loss) to Net Cash provided by Operating Activities		
Depreciation, Amortization and Accretion	30,172	19,778
Amortization of Deferred Financing Costs	763	362
Loss on Debt Modification	380	-
Loss on Disposal of Asset, Net	217	67
Abandoned Projects	1,356	1,133
Changes in operating assets and liabilities:		
Accounts Receivable	(4,367)	9,896
Accounts Receivable from Affiliate	(6,808)	4,485
Other Receivables	602	(10)
Prepaids, Deposits and Other Current Assets	1,711	1,345
Accounts Payable	(4,817)	(1,510)
Payables to Affiliate	(191)	1,235
Adjustment in Deferred Revenue	(50)	650
Accrued Liabilities and Other	4,346	4,817
Net Cash Provided by Operating Activities	30,690	40,911
Cash Flow from Investing Activities		
Property, Plant and Equipment Expenditures	(42,353)	(92,581)
Net Cash Used in Investing Activities	(42,353)	(92,581)
Cash Flow from Financing Activities		
Proceeds from Credit Facility	-	60,000
Repayment of Credit Facility	(297,000)	-
Proceeds from Senior-Sustainability Linked Bonds	400,000	-
Payments of Financing Costs related to Issuance of Senior-Sustainability Linked Bonds	(9,352)	-
Payments of Financing Costs related to Credit Facility	(1,442)	(428)
Member's Contributions	5	-
Redemption of Redeemable Preferred Units	(74,357)	-
Net Cash Provided by Financing Activities	17,854	59,572
Net Increase in Cash and Cash Equivalents	6,191	7,902
Cash and Cash Equivalents, Beginning of Period	24,932	7,083
Cash and Cash Equivalents, End of Period	$ 31,123	$ 14,985

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. Organization and background of business

Organization

Solaris Midstream Holdings, LLC, formed on November 19, 2015 (together with its subsidiaries, the "Company"), is an independent, environmentally-focused company headquartered in Houston, Texas, that provides sustainability-enhancing services to oil and natural gas operators. The Company builds long-term value through the development, construction and operation of integrated produced water handling and recycling infrastructure that provides high-capacity, comprehensive produced water management, recycling and supply solutions for many of the largest operators in the Permian Basin.

The Company's assets are located in the Permian Basin in Texas and in New Mexico. The Company owns and operates produced water handling pipelines, water handling facilities, water recycling assets, water production wells and water storage facilities.

2. Summary of significant accounting policies

Basis of presentation

All dollar amounts, except per unit amounts, in the financial statements and tables in the notes are stated in thousands of dollars unless otherwise indicated. A complete discussion of the Company's significant accounting policies is included in the Company's Annual financial statements.

On January 15, 2021, ConocoPhillips acquired Concho Resources, Inc. ("Concho"). We refer to Concho as ConocoPhillips, their successor, throughout these condensed consolidated financial statements.

Interim financial statements

The accompanying condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The condensed financial statements have not been audited by the Company's independent registered public accounting firm, except that the condensed consolidated balance sheet at December 31, 2020 is derived from audited consolidated financial statements. These financial statements include the adjustments and accruals, all of which are of a normal recurring nature, necessary for a fair presentation of the results for the interim periods. These interim results are not necessarily indicative of results for a full year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2020.

Supplemental non-cash disclosure

	Six Months Ended June 30,	
	2021	**2020**
Capital Expenditures Incurred but Not Paid Included in Accounts Payable and Accrued Liabilities	$ 17,375	$ 23,412
Asset Retirement Obligation	205	1,463
Accretion and Dividend related to Redeemable Preferred Units	21	(417)
Equity Issued in Acquisitions	-	77,602
Redeemable Preferred Units Issued in Acquisition	-	71,974
Cash Paid for Interest	5,418	5,055

Principles of consolidation

The consolidated financial statements include the accounts of the Company and the wholly owned subsidiaries, Solaris Water Inc., Solaris Water Midstream, LLC, Solaris Midstream DB-TX, LLC, Solaris Midstream MB, LLC, Solaris Midstream DB-NM, LLC, 829 Martin County Pipeline, LLC and Clean H2O Technologies, LLC (collectively, the "subsidiaries"). All material intercompany transaction and balances have been eliminated upon consolidation.

Reclassification of prior year presentation

Certain 2020 amounts have been reclassified for consistency with the 2021 presentation. These reclassifications had no effect on the reported results of operations.

COVID-19 and global economic and market conditions

The COVID-19 virus, which was declared a pandemic by the World Health Organization in March 2020, has disrupted economies and industries around the world, including the oil and gas industry. The rapid spread of COVID-19 has led to the implementation of various responses, including federal, state and local government-imposed quarantines, shelter-in-place mandates, sweeping restrictions on travel and other public health and safety measures, nearly all of which have materially reduced global demand for crude oil. As a result of the COVID-19 outbreak and decline in oil prices in the earlier part of 2020, the Company had headcount reductions. The Company has subsequently refilled some of these positions as business started to recover and stabilize.

The extent to which COVID-19 will continue to affect the Company's business, financial condition, results of operations and cash flows and the demand for services and products will depend on future developments, which are highly uncertain and cannot be predicted.

Segment Information

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision-making group, in making decisions on how to allocate resources and assess performance. The Company's chief operating decision maker is the Chief Executive Officer. The Company and the Chief Executive Officer view the Company's operations and manage its business as one operating segment. All long-lived assets of the Company reside in the United States.

Use of estimates

In preparing the accompanying condensed consolidated financial statements, management has made certain estimates and assumptions that affect reported amounts in the condensed consolidated financial statements and disclosures of contingencies. Critical estimates the Company makes in the preparation of the condensed consolidated financial statements include, among others, determining the fair value of assets and liabilities acquired in acquisitions, the collectability of accounts receivable, useful lives of property, plant and equipment and amortizable intangible assets, the fair value of asset retirement obligations and accruals for environmental matters. Actual results could differ from management's best estimates as additional information or actual results become available in the future, and those differences could be material.

Accounts receivable

Accounts receivable consists of trade receivables recorded at the invoice amount, plus accrued revenue that is earned but not yet billed, less an estimated allowance for doubtful accounts. Accounts receivable are generally due within 60 days or less, or in accordance with terms agreed with customers. The Company considers accounts receivable outstanding longer than the payment terms as past due. The Company determines the allowance by considering a number of factors, including the length of time trade accounts receivable are past due, previous loss history, the customer's current ability to pay its obligation, and the condition of the general economy and the industry as a whole. Accounts receivable are written off when they are deemed uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. As of June 30, 2021 and December 31, 2020, the Company had $0 and $0.4 million of allowance for doubtful accounts, respectively.

Property, plant and equipment

Certain interest costs have been capitalized as part of the cost of property, plant and equipment under development, including water handling facilities in progress and related facilities. For the three months ended June 30, 2021 and 2020, total interest costs capitalized were $0.8 million and $1.1 million, respectively. For the six months ended June 30, 2021 and 2020, total interest costs capitalized were $1.2 million and $2.3 million, respectively.

Fair Value Measurements

The Company's financial assets and liabilities are to be measured using inputs from the three levels of the fair value hierarchy, of which the first two are considered observable and the last unobservable, which are as follows:

- Level 1—Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date;
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or other inputs corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3—Unobservable inputs that reflect the Company's assumptions that market participants would use in pricing assets or liabilities based on the best information available.

Fair Value on a Non-Recurring Basis

Nonfinancial assets and liabilities measured at fair value on a non-recurring basis include certain nonfinancial assets acquired and liabilities assumed in a business combination, units granted in acquisitions, and the initial recognition of asset retirement obligations, for which fair value is used. These assets and liabilities are recorded at fair value when acquired/incurred but not re-measured at fair value in subsequent periods (see further discussion at Note 3, Acquisition).

Asset retirement obligation estimates are derived from historical data as well as management's expectation of future cost environments and other unobservable inputs. As there is no corroborating market activity to support the assumptions used, the Company has designated these measurements as Level 3.

Additional Fair Value Disclosures

The fair value of fixed-rate debt is estimated based on the published market prices for the same or similar issues. Refer to Note 8. Long-term Debt for additional information. The Company has designated these measurements as Level 2 for the Sustainability-Linked Bonds and Level 3 for the Credit Facility.

Fair value information regarding the Company's debt is as follows:

	June 30, 2021		**December 31, 2020**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Sustainability-Linked Bonds	$400,000	$426,000	$ -	$ -
Credit Facility	$ -	$ -	$297,000	$297,000

Revenue recognition

The Company currently generates revenue by providing services related to produced water handling and water solutions. The services related to produced water are fee-based arrangements and are based on the volume of water that flows through the Company's systems and facilities while the sale of recycled produced water and groundwater are priced based on negotiated rates with the customer.

The Company has customer contracts that contain minimum transportation and/or disposal volume delivery requirements and the Company is entitled to deficiency payments if such minimum contractual volumes are not delivered by the customer. These deficiency amounts are based on fixed, daily minimum volumes (measured over monthly, quarterly or annual periods depending on the contract) at a fixed rate per barrel. The Company is typically entitled to shortfall payments if such minimum contractual obligations are not maintained by its customers. The Company invoices the customer on either a monthly, quarterly, semi-annual or annual basis, as provided in the contract.

The Company accounts for revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers. In determining the appropriate amount of revenue to be recognized as the Company fulfills its obligations under the contracts, the following steps must be performed at contract inception: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

Revenues from produced water handling consist primarily of per barrel fees charged to customer for the use of the Company's system and disposal services. For all the Company's produced water transfer and disposal contracts, revenue will be recognized over time utilizing the output method based on the volume of wastewater accepted from the customer. The Company determined that the performance obligation is satisfied over time as the customer simultaneously receives and consumes the benefits provided by its performance of services, typically as customers' wastewater is accepted. The Company typically charges its customers a disposal and transportation fee on a per barrel basis under its contracts. In some contracts, the Company is entitled to shortfall payments if minimum contractual obligations are not satisfied by its customers. Minimum contractual obligations have not been maintained and thus the Company has recognized revenues related to shortfalls on such take or pay contractual obligations to date. Some contracts also have a mechanism that allows for shortfalls to be made up over a limited period of time. As of June 30, 2021 and December 31, 2020, the Company had long-term deferred revenue liabilities of $1.3 million related to these contracts.

For contracts that involve recycled produced water and groundwater, revenue is recognized at a point in time, based on when control of the product is transferred to the purchaser or customer.

Recent Accounting Pronouncements

In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impairment. This pronouncement removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. This pronouncement was effective for public business entities for annual reporting periods beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2019. The amendments in ASU 2017-04 are effective for private companies for fiscal years beginning after December 15, 2021 and interim periods within the fiscal year. The amendments in this ASU should be applied prospectively. The Company is evaluating the potential impact this new standard may have on the financial statements.

In June 16, 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses, which requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The ASU requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The ASU was effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The ASU is effective for private companies for fiscal years beginning after December 15, 2022. The Company is evaluating the potential impact this new standard may have on the financial statements.

On February 25, 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), as part of a joint project with the International Accounting Standards Board (''IASB'') to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. To satisfy the foregoing objective, the FASB is creating Topic 842, Leases, which supersedes Topic 840. Under the new guidance, a lessee will be required to recognize assets and liabilities for capital and operating leases with lease terms of more than 12 months. Additionally, this ASU will require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases, including qualitative and quantitative requirements. For public companies, the amendments were effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For private companies, the amendments are effective for fiscal years beginning after December 15, 2021.

3. Acquisition

On June 11, 2020, the Company acquired certain produced water handling, transportation and water disposal assets in Lea County, New Mexico of a wholly-owned subsidiary of Concho Resources Inc. ("Concho"). This acquisition further expanded the Company's water infrastructure system in the Delaware basin and further extended and expanded the Company's water management agreement with Concho.

The net purchase consideration was $149.6 million, which comprised $77.6 million of Class A Units (4,561,391 units) and $72.0 million of Redeemable Preferred Units with a face value of $75.0 million. See further discussion at Note 8, Redeemable Preferred Units.

Fair Value of Consideration	
Class A Units Issued to Seller	$ 77,602
Redeemable Preferred Units Issued to Seller	71,974
Total Consideration	149,576
Fair Value of Assets and Liabilities Acquired	
Property, Plant & Equipment – Water Handling Facilities	18,566
Property, Plant & Equipment – Pipelines (including right of way)	33,897
Intangibles – Contracts	90,300
Asset Retirement Obligations	(776)
Fair Value of Assets and Liabilities Acquired	141,987
Total Assets Acquired	141,987
Goodwill	$ 7,589

The Company incurred $1.6 million of acquisition-related costs, which are included in Transaction Costs in 2020.

Proforma – Concho Lea County Acquisition

The unaudited pro forma results presented below have been prepared to give effect to the acquisition discussed above on the Company's results of operations for the three and six months ended June 30, 2020 as if the Concho Lea County acquisition had been consummated on January 1, 2020. The unaudited pro forma results do not purport to represent what the Company's actual results of operations would have been if the acquisitions had been completed on such date or to project its results of operation for any future date or period.

Pro forma (unaudited)	**For the Six Months Ended June 30, 2020**
Total Revenues	$ 3,677
Net Income	1,438

4. Intangible assets – Customer Contracts

As of June 30, 2021 and December 31, 2020, the Company had $365.0 million of definite-lived intangible assets, respectively. These intangible assets are related to customer contracts that were acquired related to acquisitions that occurred in 2020, 2019 and 2017. Amortization on these assets is calculated either on the straight-line method or as a percentage of expected fair value of cash flows over the estimated lives of the contracts, which is based on estimates the Company believes are reasonable.

The components of the intangibles are as follows:

Customer contracts	**June 30, 2021**	**December 30, 2020**
Gross value	$ 365,032	$ 365,032
Accumulated amortization	(43,799)	(27,497)
Net value	$ 321,233	$ 337,535

The table below shows the expected amortization of intangibles as of June 30, 2021:

	Amount
Remaining 2021	$ 16,303
2022	36,735
2023	37,404
2024	36,888
2025	35,050
Thereafter	158,853

For the three months ended June 30, 2021 and 2020, amortization expense was $8.2 million and $4.8 million, respectively. For the six months ended June 30, 2021 and 2020, amortization expense was $16.3 million and $9.5 million, respectively.

5. Concentrations

For the three months ended June 30, 2021, ConocoPhillips accounted for 51.8% of the Company's revenue. For the six months ended June 30, 2021, ConocoPhillips accounted for 50.5% and Oxy USA Inc. accounted for 10.5% of the Company's revenue.

For the three months ended June 30, 2020, ConocoPhillips accounted for 33.2%, Oxy USA Inc. accounted for 21.6% and Exxon Mobil Corporation accounted for 10.9% of the Company's revenue. For the six months ended June 30, 2020, ConocoPhillips accounted for 33.0%, Oxy USA Inc. accounted for 15.7% and Exxon Mobil Corporation accounted for 11.1% of the Company's revenue.

As of June 30, 2021, ConocoPhillips accounted for 35.4% and Oxy USA Inc. accounted for 13.3% of the Company's accounts receivable.

6. Accrued and Other Liabilities

The components of the Accrued and Other Liabilities are as follows:

	June 30, 2021	December 31, 2020
Accrued Operating Expenses	$ 14,158	$ 14,367
Accrued Capital Expenses	11,320	6,292
Accrued Interest Expense	7,625	2,661
Other	4,156	4,518
Total Accrued and Other Liabilities	$ 37,259	$ 27,838

7. Long-term debt

	June 30, 2021	December 31, 2020
Revolving Credit Facility	$ -	$ 297,000
7.625% Senior Sustainability-Linked Notes	400,000	-
Less: Unamortized deferred financing costs on 7.625% Senior Sustainability-Linked Notes	(8,885)	-
Total Long-term debt	$ 391,115	$ 297,000

Senior Sustainability-linked Notes

In April 2021, the Company issued $400.0 million aggregate principal amount of 7.625% Senior Sustainability-Linked Notes (the "Notes") due April 1, 2026. Proceeds from the offering were $390.6 million, net of $9.4 million of debt issuance costs, and were used to repay $297.0 million of borrowings under the Credit Facility, redeem outstanding redeemable preferred units for $74.4 million, and for general corporate purposes.

The Notes are unsecured and effectively subordinated to the Credit Facility to the extent of the value of the collateral securing the Credit Facility. The Notes are guaranteed on a senior unsecured basis by the Company's wholly-owned subsidiaries. Interest on the Notes is payable on April 1 and October 1 of each year. The Company may redeem all or part of the Notes at any time on or after April 1, 2023 at redemption prices ranging from 103.8125% on or after April 1, 2023 to 100% on or after April 1, 2025. In addition, on or before April 1, 2023, the Company may redeem up to 40% of the aggregate principal amount of the Notes with the net cash proceeds of certain equity offerings, if certain conditions are met, at a redemption price of 107.625% of the principal amount of the Notes, plus accrued interest. At any time prior to April 1, 2023, the Company may also redeem the Notes, in whole or in part, at a price equal to 100% of the principal amount of the Notes plus a "make-whole" premium. If the Company undergoes a change of control, it may be required to repurchase all or a portion of the Notes at a price equal to 101% of the principal amount of the Notes, plus accrued interest.

Certain of these redemption prices are subject to increase if the Company fails to satisfy the Sustainability Performance Target and provide notice of such satisfaction to the trustee. From and including the interest period ending on October 1, 2023, the interest rate shall be increased by 25 basis points to 7.875% per annum unless the Company notifies the trustee for the Notes at least 30 days prior to April 1, 2023 that, for the year ending December 31, 2022: (i) the Sustainability Performance Target has been satisfied and (ii) the satisfaction of the Sustainability Performance Target has been confirmed in accordance with customary procedures.

Credit Facility

Concurrent with the Senior Sustainability-Linked Notes offering in April 2021, the Company entered into a Restated Credit Agreement to, among other things, (i) decrease the commitments under the Credit Facility to $200.0 million, (ii) extend the maturity date to April 1, 2025, (iii) reprice the loans made under the Credit Facility and unused commitment fees to be determined based on a leverage ratio ranging from 3.00:1.00 to 4.50:1.00, (iv) provide for a $75.0 million incremental revolving facility, which shall be on the same terms as under the Credit Facility, (v) annualize EBITDA for 2021 for the purpose of covenant calculations, (vi) amend the leverage ratio covenant to comprise of a maximum total funded debt to EBITDA ratio, net of $40.0 million of unrestricted cash and cash equivalents if the facility is drawn, and net of all unrestricted cash and cash equivalents if the facility is undrawn, (vii) increase the leverage ratio covenant test level for the first two fiscal quarters of 2021 to 5.00 to 1.00, for the third quarter of 2021 to 4.75 to 1.00, and thereafter to 4.50 to 1.00 and (viii) add a secured leverage covenant of 2.50 to 1.00.

The Company incurred $1.4 million of expenses to refinance the Credit Facility that is included in other long-term assets. We accounted for the Restated Credit Agreement as a debt modification and recognized a loss of $0.4 million in April 2021.

As of June 30, 2021, the Company had $0 borrowings under its Restated Credit Facility, $0.15 million in letter of credits outstanding and $200.0 million in revolving commitments available.

As of December 31, 2020, the Company had $297.0 million of borrowings under its Credit Facility, $0.15 million in letter of credits outstanding and $5.5 million in revolving commitments available.

At June 30, 2021, the Company was in compliance with all covenants contained in the Credit Facility.

8. Redeemable preferred units

On June 11, 2020, the Company issued 7,500 Redeemable Preferred Units (the “Preferred Units”) to ConocoPhillips as part of the consideration to acquire certain produced water handling, transportation and water disposal assets in Lea County, New Mexico. The Preferred Units were initially recorded at $72.0 million, their issuance-date fair value.

On November 9, 2020, the Company issued a capital call to Concho for $1.9 million. Concho elected to redeem 193 Preferred Units in exchange for 192,981 Class A Units to satisfy this call.

Since the Preferred Units would have become redeemable by ConocoPhillips following the fifth anniversary of the issuance and were redeemable by the Company at any time, the Company has elected to accrete changes in the redemption value over the period from the date of issuance to the date that the instrument would have been redeemable, using the effective interest method.

Concurrent with the closing of the Notes discussed in Note 7, the Company fully repaid and redeemed the outstanding redeemable preferred units for $74.4 million on April 1, 2021, which includes of $3.0 million of accretion and $1.3 million related to distributions earned during 2021.

9. Equity

The Company’s operations are governed by the provisions of a limited liability company agreement (the “LLC Agreement”). The LLC Agreement sets forth the rights and obligations of each class of membership interest. The Company currently has four classes of membership units outstanding – Class A, B, C, and D. Allocations of net income and loss are allocated to the members based on a hypothetical liquidation. The Class C units receive a share of distributions that would otherwise be payable to the Class A unitholders after the Class A unitholders achieve certain target returns on their invested capital (the “Class C Unit Waterfall”). Class B and Class D units are not burdened by the Class C Unit Waterfall.

In connection with the issuance of Class C units by the Company to Solaris Midstream Investment, LLC ("Solaris Investment"), Solaris Investment issues a corresponding number of Class C units ("Solaris Investment Profits Units") to the members of Solaris Investment as specified in the limited liability company agreement of Solaris Investment. Each such member of Solaris Investment then enters into a grant agreement ("Grant Agreement"), as set forth in the LLC Agreement, with the Company and Solaris Investment. The Solaris Investment Profits Units are subject to various vesting requirements as specified in the Grant Agreement. The value assigned to the units as of its respective date of grant was de minimis.

10. Commitments and contingencies

In the normal course of business, the Company is subjected to various claims, legal actions, contract negotiations and disputes. The Company provides for losses, if any, in the year in which they can be reasonably estimated. In management's opinion, there are currently no such matters outstanding that would have a material effect on the accompanying consolidated financial statements.

Additionally, the Company is party to a guarantee related to a lease agreement with Solaris Energy Management, LLC ("SEM"), a related party of the Company, on the rental of office space for the Company's corporate headquarters. As of June 30, 2021, the Company's share of SEM's future commitment related to this lease agreement is $3.1 million. Refer to Note 11, Related Party Transactions, for additional information regarding related party transactions recognized.

Other commitments

In the normal course of business, the Company has certain short-term purchase obligations and commitments for products and services, primarily related to purchases of long lead materials. As of June 30, 2021, the Company had purchase obligations and commitments of approximately $10.7 million due in the next twelve months.

The Company has offices in Midland, Texas and Carlsbad, New Mexico and the commitments related to these operating leases are $1.0 million as of June 30, 2021.

The Company is party to a surface use and compensation agreement by which the Company has agreed to a minimum annual payment for each of the first ten years, beginning in 2020, in exchange for certain rights to access and use the land for the limited purposes of conducting water operations for a period of thirteen years. The minimum annual payments are subject to netting against royalty payments paid. As of June 30, 2021, there are no minimum annual payments due until 2022.

The table below provides estimates of the timing of future payments that the Company is contractually obligated to make based on agreements in place as of June 30, 2021.

	Remaining 2021	2022	2023	2024	2025	Thereafter	Total
Purchase commitments	$ 10,731	$ —	$ —	$ —	$ —	$ —	$ 10,731
Surface use and compensation agreement obligation	—	1,100	1,150	1,200	1,250	5,750	10,450
Operating leases	376	765	631	622	514	1,255	4,163
Total	$ 11,107	$ 1,865	$ 1,781	$ 1,822	$ 1,764	$ 7,005	$ 25,344

11. Related party transactions

On September 14, 2016, the Company entered into an administrative services arrangement with SEM for the provision of certain personnel and administrative services at cost. Beginning in 2020, services provided by SEM are administrative only. In addition, SEM provides office space, equipment and supplies to the Company under the administrative service agreement.

For the three months ended June 30, 2021 and 2020, the Company incurred $0.2 million and $0.2 million for these services and were recorded in general and administrative expenses, respectively. For the six months ended June 30, 2021 and 2020, the Company incurred $0.4 million and $0.3 million for these services and were recorded in general and administrative expenses, respectively.

As of June 30, 2021 and December 31, 2020, the Company had no outstanding payables to SEM. As of June 30, 2021 and December 31, 2020, the Company had a prepaid balance to SEM of $0.2 million to cover upcoming rent and other expenses.

There are certain de minimis general and administrative expenses that are paid on behalf of the Company by Solaris Energy Capital, LLC, and are recorded in general and administrative expenses. As of June 30, 2021 and December 31, 2020, the Company had no outstanding payables to Solaris Energy Capital, LLC.

There are certain general and administrative expenses that are incurred by the Company for services provided by Blanco Aviation, LLC and are recorded in general and administrative expenses. As of June 30, 2021 and December 31, 2020, the Company had a de minimis outstanding payables to Blanco Aviation, LLC.

ConocoPhillips, one of the principal owners of the Company, and the Company entered into a 13-year water gathering and handling agreement, pursuant to which ConocoPhillips agreed to dedicate all of the produced water generated from its current and future acreage in a defined AMI in New Mexico and Texas. As of June 30, 2021 and December 31, 2020, the Company had a receivable of $18.3 million and $11.5 million from ConocoPhillips, respectively, that was recorded in Accounts Receivable from Affiliates. As of June 30, 2021 and December 31, 2020, the Company had a payable of $1.7 million and $1.9 million to ConocoPhillips, respectively, that was recorded in Payables to Affiliate. The following table shows revenue and expenses from ConocoPhillips:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Revenue	$ 29,292	$ 12,495	$ 51,886	$ 27,772
Operating expenses reimbursed to ConocoPhillips	(73)	(168)	728	1,973

Operating expenses reimbursed to ConocoPhillips are related to the Company's reimbursement of ConocoPhillips' costs for operating certain assets on the Company's behalf between closing and the transfer of the acquired assets.

12. Subsequent events

Subsequent events have been evaluated through August 9, 2021, the date the condensed consolidated financial statements were available to be issued.