KEY ENERGY SERVICES INC Form 10-O August 08, 2008

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One) ý

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

For the Quarterly Period Ended June 30, 2008

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) 0 OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 1-8038

KEY ENERGY SERVICES, INC.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization) 04-2648081

(I.R.S. Employer Identification No.)

1301 McKinney Street, Suite 1800, Houston, Texas 77010

(Address of principal executive offices) (Zip Code)

(713) 651-4300

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

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 ý No o

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

Large accelerated filer ý

Accelerated filer o Non-accelerated filer o (Do not check if a smaller reporting

company)

Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No ý

As of July 31, 2008, the number of outstanding shares of common stock of the registrant was 124,445,608.

KEY ENERGY SERVICES, INC. INDEX TO FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2008

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FORWARD-LOOKING STATEMENTS

In addition to statements of historical fact, this report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are not historical in nature or that relate to future events and conditions are, or may be deemed to be, forward-looking statements. These "forward-looking statements" are based on our current expectations, estimates and projections about Key Energy Services, Inc. its subsidiaries ("the Company"), our industry and management's beliefs and assumptions concerning future events and financial trends affecting our financial condition and results of operations. In some cases, you can identify these statements by terminology such as "may," "will," "predicts," "projects," "potential" or "continue" or the negative of such terms and other comparable terminology. These statements are only predictions and are subject to substantial risks and uncertainties. Actual performance or results may differ materially and adversely.

We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date of this report except as required by law. All of our written and oral forward-looking statements are expressly qualified by these cautionary statements and any other cautionary statements that may accompany such forward-looking statements.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Key Energy Services, Inc. and Subsidiaries Condensed Consolidated Balance Sheets (In thousands, except share amounts)

Carrent assets		June 30, 2008 (unaudited)		December 31, 2007	
Current assets: S 45,459 \$ 58,503 Cash and cash equivalents (ash or cash and cash equivalents) \$ 276 Accounts receivable, net of allowance for doubtful accounts of \$12,615 and \$13,501 at \$ 395,079 \$ 343,408 June 30, 2008 and December 31, 2007, respectively (ash of the prepaid expenses) 28,478 \$ 22,849 Prepaid expenses 9,906 \$ 12,997 Deferred tax assets 1,695,245 \$ 27,676 Income taxes receivable 947 \$ 15,796 Other current assets 514,639 \$ 487,865 Total current assets 514,639 \$ 487,865 Property and equipment, gross 1,695,243 \$ 1,595,225 Accumulated depreciation (748,338) \$ (684,017) Property and equipment, net 946,905 \$ 911,208 Goodwill 395,213 \$ 378,550 Other intangible assets, net 48,531 \$ 45,894 Deferred financing costs, net 11,436 \$ 12,117 Notes and accounts receivable related parties 11,765 \$ 11,217 Notes and accounts receivable related parties 11,765 \$ 11,217 Other assets \$ 1,937,261 \$ \$ 1,859,077 LIABILITIES AND STOCKHOLDERS' EQUITY Current payable \$ 19,952 \$ 35,159	ASSETS	(un	audited)		
Cash and cash equivalents					
Accounts receivable, net of allowance for doubtful accounts of \$12,615 and \$13,501 at \$10,0008 and December 31, 2007, respectively \$28,478 \$2,34408 \$10,4005 \$10,40		\$	45,459	\$	58,503
S13,501 at June 30, 2008 and December 31, 2007, respectively 395,079 343,408 Inventories 28,478 22,849 Prepaid expenses 9,906 12,9767 Deferred tax assets 28,645 27,676 Income taxes receivable 947 15,796 Other current assets 6,117 6,360 Total current assets 514,639 487,865 Property and equipment, gross 1,695,243 1,595,225 Accumulated depreciation (748,338) (684,017) Property and equipment, net 946,905 911,208 Goodwill 395,213 378,550 Goodwill 395,213 Goodwill 395,213 Goodwill 395,213 Goodwill 395,213 Goodwill 395,213 Goodwill 395,213 Goodwill 395,	1		8	Ċ	276
Inventories					
Prepaid expenses 9,906 12,997 Deferred tax assets 28,645 27,676 Income taxes receivable 947 15,796 Other current assets 6,117 6,360 Total current assets 514,639 487,865 Property and equipment, gross 1,695,243 1,595,225 Accumulated depreciation (748,338) (684,017) Property and equipment, net 946,905 911,208 Goodwill 395,213 378,550 Other intangible assets, net 48,531 45,894 Deferred financing costs, net 11,436 12,117 Notes and accounts receivable related parties 187 173 Investment in IROC Energy Services Corp. 11,765 11,217 Other assets \$1,937,761 \$1,859,077 LIABILITIES AND STOCKHOLDERS' EQUITY Current liabilities Accured interest 5,319 3,894 Accured interest 5,319 3,894 Current portion of capital lease obligations 9,334 10,701	June 30, 2008 and December 31, 2007, respectively		395,079		343,408
Deferred tax assets 28,645 27,676 Income taxes receivable 947 15,796 Other current assets 6,117 6,360 Total current assets 514,639 487,865 Property and equipment, gross 1,695,243 1,595,225 Accumulated depreciation (748,338) (684,017) Property and equipment, net 946,905 911,208 Goodwill 395,213 378,550 Other intangible assets, net 48,531 45,894 Deferred financing costs, net 11,436 12,117 Notes and accounts receivable related parties 187 173 Investment in IROC Energy Services Corp. 11,765 11,217 Other assets 9,085 12,053 TOTAL ASSETS \$1,937,761 \$1,859,077 ILABILITIES AND STOCKHOLDERS' EQUITY Current flabilities 224,897 183,364 Accruced interest 5,319 3,895 Accruced liabilities 224,897 183,364 Accruced interest 5,319 3,895 Current portion of capital lease obligations 9,334 10,701 Current notes payable related parties, net of discount 1,749 1,678 Total current liabilities 261,251 234,797 Capital lease obligations, less current portion 13,840 16,114 Notes payable related parties, less current portion 20,500 20,500 Long-term debt 250,000 475,000 Workers' compensation, vehicular, health and other insurance claims 44,067 43,818 Deferred tax liabilities 20,640 19,531 Minority interest 20,640 19,531 Minority interest 20,000,000,000 shares authorized, 125,205,458 and 131,142,905 shares issued and outstanding at June 30, 2008 and	Inventories		28,478		22,849
Income taxes receivable	Prepaid expenses		9,906		12,997
Other current assets 6,117 6,360 Total current assets 514,639 487,865 Property and equipment, gross 1,695,243 1,595,225 Accumulated depreciation (748,338) (684,017) Property and equipment, net 946,905 911,208 Goodwill 395,213 378,550 Other intangible assets, net 48,531 45,894 Deferred financing costs, net 11,436 12,117 Notes and accounts receivable related parties 187 173 Investment in IROC Energy Services Corp. 11,765 11,217 Other assets 9,085 12,053 TOTAL ASSETS \$1,937,761 \$1,859,077 LIABILITIES AND STOCKHOLDERS' EQUITY Current liabilities 224,897 183,364 Accounts payable \$19,952 \$35,159 Accounts payable \$1,9952 \$35,159 Accrued interest 224,897 183,364 Accrued interest 5,19 10,788 Current portion of capital lease obligations, less curren			28,645		
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Property and equipment, gross 1,695,243 1,595,225 Accumulated depreciation (748,338) (684,017) Property and equipment, net 946,905 911,208 Goodwill 395,213 378,550 Other intangible assets, net 48,531 45,894 Deferred financing costs, net 11,436 12,117 Notes and accounts receivable related parties 187 173 Investment in IROC Energy Services Corp. 11,765 11,217 Other assets 9,085 12,053 TOTAL ASSETS \$ 1,937,761 \$ 1,859,077 LIABILITIES AND STOCKHOLDERS' EQUITY Current liabilities 29,085 35,159 Accrued interest 5,319 3,895 Current portion of capital lease obligations 9,334 10,701 Current notes payable related parties, net of discount 1,749 1,678 Total current liabilities 261,251 234,797 Capital lease obligations, less current portion 13,840 16,114 Notes payable related parties, less current portion <t< td=""><td>Other current assets</td><td></td><td>6,117</td><td></td><td>6,360</td></t<>	Other current assets		6,117		6,360
Accumulated depreciation (748,338) (684,017) Property and equipment, net 946,905 911,208 Goodwill 395,213 378,550 Other intangible assets, net 48,531 45,894 Deferred financing costs, net 11,436 12,117 Notes and accounts receivable related parties 187 173 Investment in IROC Energy Services Corp. 11,765 11,217 Other assets 9,085 12,053 TOTAL ASSETS \$1,937,761 \$1,859,077 LIABILITIES AND STOCKHOLDERS' EQUITY Current liabilities Accounts payable \$19,952 \$35,159 Accounts payable \$19,952 \$35,159 Accrued interest 5,319 3,895 Current portion of capital lease obligations 9,334 10,701 Current notes payable related parties, net of discount 1,749 1,678 Total current liabilities 261,251 234,797 Capital lease obligations, less current portion 13,840 16,114	Total current assets		514,639		487,865
Accumulated depreciation (748,338) (684,017) Property and equipment, net 946,905 911,208 Goodwill 395,213 378,550 Other intangible assets, net 48,531 45,894 Deferred financing costs, net 11,436 12,117 Notes and accounts receivable related parties 187 173 Investment in IROC Energy Services Corp. 11,765 11,217 Other assets 9,085 12,053 TOTAL ASSETS \$1,937,761 \$1,859,077 LIABILITIES AND STOCKHOLDERS' EQUITY Current liabilities Accounts payable \$19,952 \$35,159 Accounts payable \$19,952 \$35,159 Accrued interest 5,319 3,895 Current portion of capital lease obligations 9,334 10,701 Current notes payable related parties, net of discount 1,749 1,678 Total current liabilities 261,251 234,797 Capital lease obligations, less current portion 13,840 16,114					
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Condimination Continuation Con	Accumulated depreciation		(748,338)		(684,017)
Other intangible assets, net 48,531 45,894 Deferred financing costs, net 11,436 12,117 Notes and accounts receivable related parties 187 173 Investment in IROC Energy Services Corp. 11,765 11,217 Other assets 9,085 12,053 TOTAL ASSETS \$1,937,761 \$1,859,077 LIABILITIES AND STOCKHOLDERS' EQUITY Current liabilities: Accounts payable \$19,952 \$35,159 Accrued liabilities 224,897 183,364 Accrued liabilities 224,897 183,364 Accrued liabilities 9,334 10,701 Current portion of capital lease obligations 9,334 10,701 Current notes payable related parties, net of discount 1,749 1,678 Total current liabilities 261,251 234,797 Capital lease obligations, less current portion 13,840 16,114 Notes payable related parties, less current portion 20,500 20,500 Long-term debt	Property and equipment, net		946,905		911,208
Deferred financing costs, net 11,436 12,117 Notes and accounts receivable related parties 187 173 Investment in IROC Energy Services Corp. 11,765 11,217 Other assets 9,085 12,053 TOTAL ASSETS \$1,937,761 \$1,859,077 LIABILITIES AND STOCKHOLDERS' EQUITY Current liabilities: Accrued liabilities 224,897 183,364 Accrued liabilities 224,897 183,364 Accrued interest 5,319 3,895 Current portion of capital lease obligations 9,334 10,701 Current notes payable related parties, net of discount 1,749 1,678 Total current liabilities 261,251 234,797 Capital lease obligations, less current portion 13,840 16,114 Notes payable related parties, less current portion 20,500 20,500 Long-term debt 525,000 475,000 Workers' compensation, vehicular, health and other insurance claims 44,067 43,818 Deferred tax liabilities 20,640 19,531	Goodwill		395,213		378,550
Notes and accounts receivable related parties 187 173 Investment in IROC Energy Services Corp. 11,765 11,217 Other assets 9,085 12,053 TOTAL ASSETS \$ 1,937,761 \$ 1,859,077 LIABILITIES AND STOCKHOLDERS' EQUITY Current liabilities: Accounts payable \$ 19,952 \$ 35,159 Accrued liabilities 224,897 183,364 Accrued interest 5,319 3,895 Current portion of capital lease obligations 9,334 10,701 Current notes payable related parties, net of discount 1,749 1,678 Total current liabilities 261,251 234,797 Capital lease obligations, less current portion 13,840 16,114 Notes payable related parties, less current portion 20,500 20,500 Long-term debt 525,000 475,000 Workers' compensation, vehicular, health and other insurance claims 44,067 43,818 Deferred tax liabilities 160,786 160,068 Other non-current accrued liabilities 20,640	Other intangible assets, net		48,531		45,894
Investment in IROC Energy Services Corp.			11,436		12,117
Other assets 9,085 12,053 TOTAL ASSETS \$1,937,761 \$1,859,077 LIABILITIES AND STOCKHOLDERS' EQUITY Current liabilities: Accounts payable \$19,952 \$35,159 Accrued liabilities 224,897 183,364 Accrued interest 5,319 3,895 Current portion of capital lease obligations 9,334 10,701 Current notes payable related parties, net of discount 1,749 1,678 Total current liabilities 261,251 234,797 Capital lease obligations, less current portion 13,840 16,114 Notes payable related parties, less current portion 20,500 20,500 Long-term debt 525,000 475,000 Workers' compensation, vehicular, health and other insurance claims 44,067 43,818 Deferred tax liabilities 160,786 160,068 Other non-current accrued liabilities 20,640 19,531 Minority interest 20,640 19,531 Commitments and contingencies 50,000 20,000 <td></td> <td></td> <td>187</td> <td></td> <td>173</td>			187		173
TOTAL ASSETS \$ 1,937,761 \$ 1,859,077 LIABILITIES AND STOCKHOLDERS' EQUITY Current liabilities: Accounts payable \$ 19,952 \$ 35,159 Accrued liabilities 224,897 183,364 Accrued interest 5,319 3,895 Current portion of capital lease obligations 9,334 10,701 Current notes payable related parties, net of discount 1,749 1,678 Total current liabilities 261,251 234,797 Capital lease obligations, less current portion 13,840 16,114 Notes payable related parties, less current portion 20,500 20,500 Long-term debt 525,000 475,000 Workers' compensation, vehicular, health and other insurance claims 44,067 43,818 Deferred tax liabilities 160,786 160,068 Other non-current accrued liabilities 20,640 19,531 Minority interest 20,640 19,531 Commitments and contingencies 50,000 20,640 19,531 Minority interest <t< td=""><td>Investment in IROC Energy Services Corp.</td><td></td><td>11,765</td><td></td><td>11,217</td></t<>	Investment in IROC Energy Services Corp.		11,765		11,217
LIABILITIES AND STOCKHOLDERS' EQUITY Current liabilities: Accounts payable \$ 19,952 \$ 35,159 Accrued liabilities 224,897 183,364 Accrued interest 5,319 3,895 Current portion of capital lease obligations 9,334 10,701 Current notes payable related parties, net of discount 1,749 1,678 Total current liabilities 261,251 234,797 Capital lease obligations, less current portion 13,840 16,114 Notes payable related parties, less current portion 20,500 20,500 Long-term debt 525,000 475,000 Workers' compensation, vehicular, health and other insurance claims 44,067 43,818 Deferred tax liabilities 160,786 160,068 Other non-current accrued liabilities 20,640 19,531 Minority interest 251 Commitments and contingencies Stockholders' equity: Common stock, \$0.10 par value; 200,000,000 shares authorized, 125,205,458 and 131,142,905 shares issued and outstanding at June 30, 2008 and	Other assets		9,085		12,053
Current liabilities: Accounts payable \$ 19,952 \$ 35,159 Accrued liabilities 224,897 183,364 Accrued interest 5,319 3,895 Current portion of capital lease obligations 9,334 10,701 Current notes payable related parties, net of discount 1,749 1,678 Total current liabilities 261,251 234,797 Capital lease obligations, less current portion 13,840 16,114 Notes payable related parties, less current portion 20,500 20,500 Long-term debt 525,000 475,000 Workers' compensation, vehicular, health and other insurance claims 44,067 43,818 Deferred tax liabilities 160,786 160,786 160,786 Other non-current accrued liabilities 20,640 19,531 Minority interest 251 Commitments and contingencies Stockholders' equity: Common stock, \$0.10 par value; 200,000,000 shares authorized, 125,205,458 and 131,142,905 shares issued and outstanding at June 30, 2008 and	TOTAL ASSETS	\$ 1	,937,761	\$ 1	1,859,077
Current liabilities: Accounts payable \$ 19,952 \$ 35,159 Accrued liabilities 224,897 183,364 Accrued interest 5,319 3,895 Current portion of capital lease obligations 9,334 10,701 Current notes payable related parties, net of discount 1,749 1,678 Total current liabilities 261,251 234,797 Capital lease obligations, less current portion 13,840 16,114 Notes payable related parties, less current portion 20,500 20,500 Long-term debt 525,000 475,000 Workers' compensation, vehicular, health and other insurance claims 44,067 43,818 Deferred tax liabilities 160,786 160,786 160,786 Other non-current accrued liabilities 20,640 19,531 Minority interest 251 Commitments and contingencies Stockholders' equity: Common stock, \$0.10 par value; 200,000,000 shares authorized, 125,205,458 and 131,142,905 shares issued and outstanding at June 30, 2008 and	LIABILITIES AND STOCKHOLDERS' EQUITY				
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Accrued interest 5,319 3,895 Current portion of capital lease obligations 9,334 10,701 Current notes payable related parties, net of discount 1,749 1,678 Total current liabilities 261,251 234,797 Capital lease obligations, less current portion 13,840 16,114 Notes payable related parties, less current portion 20,500 20,500 Long-term debt 525,000 475,000 Workers' compensation, vehicular, health and other insurance claims 44,067 43,818 Deferred tax liabilities 160,786 160,068 Other non-current accrued liabilities 20,640 19,531 Minority interest 251 Commitments and contingencies 251 Stockholders' equity: Common stock, \$0.10 par value; 200,000,000 shares authorized, 125,205,458 and 131,142,905 shares issued and outstanding at June 30, 2008 and	Accounts payable	\$	19,952	\$	35,159
Current portion of capital lease obligations 9,334 10,701 Current notes payable related parties, net of discount 1,749 1,678 Total current liabilities 261,251 234,797 Capital lease obligations, less current portion 13,840 16,114 Notes payable related parties, less current portion 20,500 20,500 Long-term debt 525,000 475,000 Workers' compensation, vehicular, health and other insurance claims 44,067 43,818 Deferred tax liabilities 160,786 160,068 Other non-current accrued liabilities 20,640 19,531 Minority interest 251 Commitments and contingencies 251 Stockholders' equity: 251 Common stock, \$0.10 par value; 200,000,000 shares authorized, 125,205,458 30,2008 and 131,142,905 shares issued and outstanding at June 30, 2008 and 30,2008	Accrued liabilities		224,897		183,364
Current notes payable related parties, net of discount 1,749 1,678 Total current liabilities 261,251 234,797 Capital lease obligations, less current portion 13,840 16,114 Notes payable related parties, less current portion 20,500 20,500 Long-term debt 525,000 475,000 Workers' compensation, vehicular, health and other insurance claims 44,067 43,818 Deferred tax liabilities 160,786 160,068 Other non-current accrued liabilities 20,640 19,531 Minority interest 251 Commitments and contingencies Stockholders' equity: Common stock, \$0.10 par value; 200,000,000 shares authorized, 125,205,458 32,205,458 and 131,142,905 shares issued and outstanding at June 30, 2008 and	Accrued interest		5,319		3,895
Total current liabilities 261,251 234,797 Capital lease obligations, less current portion 13,840 16,114 Notes payable related parties, less current portion 20,500 20,500 Long-term debt 525,000 475,000 Workers' compensation, vehicular, health and other insurance claims 44,067 43,818 Deferred tax liabilities 160,786 160,786 Other non-current accrued liabilities 20,640 19,531 Minority interest 251 Commitments and contingencies Stockholders' equity: Common stock, \$0.10 par value; 200,000,000 shares authorized, 125,205,458 and 131,142,905 shares issued and outstanding at June 30, 2008 and	Current portion of capital lease obligations		9,334		10,701
Capital lease obligations, less current portion 13,840 16,114 Notes payable related parties, less current portion 20,500 20,500 Long-term debt 525,000 475,000 Workers' compensation, vehicular, health and other insurance claims 44,067 43,818 Deferred tax liabilities 160,786 160,068 Other non-current accrued liabilities 20,640 19,531 Minority interest 20,640 19,531 Commitments and contingencies Stockholders' equity: Common stock, \$0.10 par value; 200,000,000 shares authorized, 125,205,458 and 131,142,905 shares issued and outstanding at June 30, 2008 and	Current notes payable related parties, net of discount		1,749		1,678
Notes payable related parties, less current portion 20,500 20,500 Long-term debt 525,000 475,000 Workers' compensation, vehicular, health and other insurance claims 44,067 43,818 Deferred tax liabilities 160,786 160,786 Other non-current accrued liabilities 20,640 19,531 Minority interest 251 Commitments and contingencies Stockholders' equity: Common stock, \$0.10 par value; 200,000,000 shares authorized, 125,205,458 and 131,142,905 shares issued and outstanding at June 30, 2008 and	Total current liabilities		261,251		234,797
Notes payable related parties, less current portion 20,500 20,500 Long-term debt 525,000 475,000 Workers' compensation, vehicular, health and other insurance claims 44,067 43,818 Deferred tax liabilities 160,786 160,786 Other non-current accrued liabilities 20,640 19,531 Minority interest 251 Commitments and contingencies Stockholders' equity: Common stock, \$0.10 par value; 200,000,000 shares authorized, 125,205,458 and 131,142,905 shares issued and outstanding at June 30, 2008 and	Capital lease obligations, less current portion		13,840		16,114
Long-term debt 525,000 475,000 Workers' compensation, vehicular, health and other insurance claims 44,067 43,818 Deferred tax liabilities 160,786 160,068 Other non-current accrued liabilities 20,640 19,531 Minority interest 251 Commitments and contingencies 525 Stockholders' equity: Common stock, \$0.10 par value; 200,000,000 shares authorized, 125,205,458 and 131,142,905 shares issued and outstanding at June 30, 2008 and					
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Other non-current accrued liabilities 20,640 19,531 Minority interest 251 Commitments and contingencies Stockholders' equity: Common stock, \$0.10 par value; 200,000,000 shares authorized, 125,205,458 and 131,142,905 shares issued and outstanding at June 30, 2008 and	1				
Minority interest 251 Commitments and contingencies Stockholders' equity: Common stock, \$0.10 par value; 200,000,000 shares authorized, 125,205,458 and 131,142,905 shares issued and outstanding at June 30, 2008 and					
Commitments and contingencies Stockholders' equity: Common stock, \$0.10 par value; 200,000,000 shares authorized, 125,205,458 and 131,142,905 shares issued and outstanding at June 30, 2008 and					
Stockholders' equity: Common stock, \$0.10 par value; 200,000,000 shares authorized, 125,205,458 and 131,142,905 shares issued and outstanding at June 30, 2008 and	·				
Common stock, \$0.10 par value; 200,000,000 shares authorized, 125,205,458 and 131,142,905 shares issued and outstanding at June 30, 2008 and					
	Common stock, \$0.10 par value; 200,000,000 shares authorized, 125,205,458				
	December 31, 2007, respectively		12,521		13,114

Additional paid-in capital	627,192	704,644
Accumulated other comprehensive loss	(35,753)	(37,981)
Retained earnings	287,717	209,221
Total stockholders' equity	891,677	888,998
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,937,761	\$ 1,859,077

See the accompanying notes which are an integral part of these condensed consolidated unaudited financial statements

3

Key Energy Services, Inc. and Subsidiaries

Condensed Consolidated Statements of Operations

(In thousands, except per share data)

(Unaudited)

		Three Months Ended June 30,		hs Ended e 30,
	2008	2007	2008	2007
REVENUES:				
Well servicing	\$ 379,959	\$ 308,825	\$ 728,837	\$ 619,985
Pressure pumping	91,952	77,289	173,804	151,366
Fishing and rental	30,092	24,397	55,761	48,079