Complete Production Services, Inc.
Form 10-Q
April 30, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED March 31, 2010

o **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: 1-32858
Complete Production Services, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**72-1503959**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
11700 Katy Freeway, Suite 300 Houston, Texas	**77079**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: **(281) 372-2300**

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 þ No o

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

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

Large accelerated filer þ	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 þ

Number of shares of the common stock, par value $0.01 per share, of the registrant outstanding as of April 27, 2010: 77,741,681

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Complete Production Services, Inc.

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PART I FINANCIAL INFORMATION
Item 1. Financial Statements.

COMPLETE PRODUCTION SERVICES, INC.
Consolidated Balance Sheets
March 31, 2010 (unaudited) and December 31, 2009

	2010	2009
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 105,439	$ 77,360
Accounts receivable, net	206,485	171,284
Inventory, net	34,121	37,464
Prepaid expenses	15,071	17,943
Income tax receivable	56,478	57,606
Current deferred tax assets	8,158	8,158
Other current assets	163	111
Total current assets	425,915	369,926
Property, plant and equipment, net	908,692	941,133
Intangible assets, net of accumulated amortization of $16,681 and $15,476, respectively	11,597	13,243
Deferred financing costs, net of accumulated amortization of $7,028 and $6,266, respectively	11,983	12,744
Goodwill	243,823	243,823
Other long-term assets	8,115	7,985
Total assets	$ 1,610,125	$ 1,588,854
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 193	$ 228
Accounts payable	32,507	31,745
Accrued liabilities	44,647	41,102
Accrued payroll and payroll burdens	20,593	13,559
Accrued interest	15,778	3,206
Notes payable		1,069
Income taxes payable	221	813
Total current liabilities	113,939	91,722
Long-term debt	650,000	650,002
Deferred income taxes	146,415	148,240
Total liabilities	910,354	889,964
Commitments and contingencies		
Stockholders equity:		
	759	752

Common stock, $0.01 par value per share, 200,000,000 shares authorized, 75,922,199 (2009 75,278,406) issued		
Preferred stock, $0.01 par value per share, 5,000,000 shares authorized, no shares issued and outstanding		
Additional paid-in capital	640,321	636,904
Retained earnings	39,245	42,007
Treasury stock, 164,575 (2009 54,313) shares at cost	(1,717)	(334)
Accumulated other comprehensive income	21,163	19,561
Total stockholders equity	699,771	698,890
Total liabilities and stockholders equity	$ 1,610,125	$ 1,588,854

See accompanying notes to consolidated financial statements.

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COMPLETE PRODUCTION SERVICES, INC.
Consolidated Statements of Operations
Quarters Ended March 31, 2010 and 2009 (unaudited)

	Quarters Ended March 31, 2010	Quarters Ended March 31, 2009
	(In thousands, except per share data)	
Revenue:		
Service	$ 301,392	$ 322,917
Product	8,312	13,764
	309,704	336,681
Service expenses	206,820	211,213
Product expenses	6,124	10,495
Selling, general and administrative expenses	40,852	49,278
Depreciation and amortization	45,319	51,689
Income before interest and taxes	10,589	14,006
Interest expense	14,741	14,458
Interest income	(48)	(10)
Loss before taxes	(4,104)	(442)
Taxes	(1,342)	(106)
Net loss	$ (2,762)	$ (336)
Loss per share information:		
Basic loss per share	$ (0.04)	$ (0.00)
Diluted loss per share	$ (0.04)	$ (0.00)
Weighted average shares:		
Basic	75,699	74,895
Diluted	75,699	74,895

Consolidated Statements of Comprehensive Loss
Quarters Ended March 31, 2010 and 2009 (unaudited)

	Quarters Ended March 31, 2010	Quarters Ended March 31, 2009
	(In thousands)	
Net loss	$ (2,762)	$ (336)
Change in cumulative translation adjustment	1,602	(1,292)

Comprehensive loss	$ (1,160)	$ (1,628)

See accompanying notes to consolidated financial statements.

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COMPLETE PRODUCTION SERVICES, INC.
Consolidated Statement of Stockholders Equity
Quarter Ended March 31, 2010 (unaudited)

	Number of Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total
			(In thousands, except share data)				
Balance at December 31, 2009	75,278,406	$ 752	$ 636,904	$ 42,007	$ (334)	$ 19,561	$ 698,890
Net loss				(2,762)			(2,762)
Cumulative translation adjustment						1,602	1,602
Issuance of common stock:							
Exercise of stock options	86,129		696				696
Expense related to employee stock options			750				750
Excess tax benefit from share-based compensation			94				94
Purchase of treasury shares	(110,262)				(1,383)		(1,383)
Vested restricted stock	667,926	7	(7)				
Amortization of non-vested restricted stock			1,884				1,884
Balance at March 31, 2010	75,922,199	$ 759	$ 640,321	$ 39,245	$ (1,717)	$ 21,163	$ 699,771

See accompanying notes to consolidated financial statements.

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COMPLETE PRODUCTION SERVICES, INC.
Consolidated Statements of Cash Flows
Quarters Ended March 31, 2010 and 2009 (unaudited)

	Quarters Ended March 31,	
	2010	**2009**
	(In thousands)	
Cash provided by (used in):		
Operating activities:		
Net loss	$ (2,762)	$ (336)
Items not affecting cash:		
Depreciation and amortization	45,319	51,689
Deferred income taxes	(1,485)	4,837
Excess tax benefit from share-based compensation	(94)	(15)
Non-cash compensation expense	2,634	3,460
Loss on non-monetary asset exchange		4,868
Provision for bad debt expense	150	1,497
Other	794	803
Changes in operating assets and liabilities:		
Accounts receivable	(34,289)	99,811
Inventory	3,391	(11,270)
Prepaid expense and other current assets	2,835	6,535
Accounts payable	741	(27,139)
Accrued liabilities and other	23,247	(2,384)
Net cash provided by operating activities	40,481	132,356
Investing activities:		
Additions to property, plant and equipment	(11,343)	(12,828)
Proceeds from disposal of capital assets	518	7,156
Net cash used in investing activities	(10,825)	(5,672)
Financing activities:		
Issuances of long-term debt		3,146
Repayments of long-term debt	(37)	(123,047)
Repayment of notes payable	(1,069)	(1,353)
Proceeds from issuances of common stock	696	25
Purchase of treasury shares	(1,383)	(68)
Excess tax benefit from share-based compensation	94	15
Net cash used in financing activities	(1,699)	(121,282)
Effect of exchange rate changes on cash	122	286
Change in cash and cash equivalents	28,079	5,688
Cash and cash equivalents, beginning of period	77,360	19,090

Cash and cash equivalents, end of period	$ 105,439	$ 24,778
Supplemental cash flow information:		
Cash paid for interest, net of interest capitalized	$ 1,384	$ 701
Cash paid (refund received) for income taxes	$ (660)	$ 2,697

See accompanying notes to consolidated financial statements.

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COMPLETE PRODUCTION SERVICES, INC.
Notes to Consolidated Financial Statements
(Unaudited, in thousands, except share and per share data)

1. General:

(a) Nature of operations:

Complete Production Services, Inc. is a provider of specialized services and products focused on developing hydrocarbon reserves, reducing operating costs and enhancing production for oil and gas companies. Complete Production Services, Inc. focuses its operations on basins within North America and manages its operations from regional field service facilities located throughout the U.S. Rocky Mountain region, Texas, Oklahoma, Louisiana, Arkansas, Pennsylvania, western Canada, Mexico and Southeast Asia.

References to Complete, the Company, we, our and similar phrases used throughout this Quarterly Report on Fo 10-Q relate collectively to Complete Production Services, Inc. and its consolidated affiliates.

On April 21, 2006, our common stock began trading on the New York Stock Exchange under the symbol CPX .

(b) Basis of presentation:

The unaudited interim consolidated financial statements reflect all normal recurring adjustments that are, in the opinion of management, necessary for a fair statement of the financial position of Complete as of March 31, 2010 and the statements of operations and the statements of comprehensive income for the quarters ended March 31, 2010 and 2009, as well as the statement of stockholders equity for the quarter ended March 31, 2010 and the statements of cash flows for the quarters ended March 31, 2010 and 2009. Certain information and disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) have been condensed or omitted. These unaudited interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2009 filed with the Securities and Exchange Commission on February 19, 2010. We believe that these financial statements contain all adjustments necessary so that they are not misleading.

In preparing financial statements, we make informed judgments and estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements and affect the reported amounts of revenues and expenses during the reporting period. We review our estimates on an on-going basis, including those related to impairment of long-lived assets and goodwill, contingencies, and income taxes. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates.

The results of operations for interim periods are not necessarily indicative of the results of operations that could be expected for the full year.

2. Accounts receivable:

	March 31, 2010	December 31, 2009
Trade accounts receivable	$ 172,682	$ 155,871
Related party receivables	14,561	6,593
Unbilled revenue	27,535	19,409
Other receivables	2,647	1,975
	217,425	183,848
Allowance for doubtful accounts	10,940	12,564
	$ 206,485	$ 171,284

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3. Inventory:

	March 31, 2010	December 31, 2009
Finished goods	$ 20,812	$ 23,435
Manufacturing parts, materials and other	13,683	14,486
Work in process	557	431
	35,052	38,352
Inventory reserves	931	888
	$ 34,121	$ 37,464

4. Property, plant and equipment:

March 31, 2010	Cost	Accumulated Depreciation	Net Book Value
Land	$ 9,135	$	$ 9,135
Buildings	30,146	3,475	26,671
Field equipment	1,303,698	535,629	768,069
Vehicles	124,983	57,650	67,333
Office furniture and computers	17,114	9,683	7,431
Leasehold improvements	25,146	5,044	20,102
Construction in progress	9,951		9,951
	$ 1,520,173	$ 611,481	$ 908,692

December 31, 2009	Cost	Accumulated Depreciation	Net Book Value
Land	$ 8,884	$	$ 8,884
Buildings	30,200	3,168	27,032
Field equipment	1,293,292	497,632	795,660
Vehicles	126,256	55,035	71,221
Office furniture and computers	17,087	9,108	7,979
Leasehold improvements	25,006	4,771	20,235
Construction in progress	10,122		10,122
	$ 1,510,847	$ 569,714	$ 941,133

Construction in progress at March 31, 2010 and December 31, 2009 primarily included progress payments to vendors for equipment to be delivered in future periods and component parts to be used in the final assembly of operating equipment, which in all cases were not yet placed into service at the time. For the quarter ended March 31, 2010, we recorded capitalized interest of $79 related to assets that we are constructing for internal use and amounts paid to vendors under progress payments for assets that are being constructed on our behalf.

Effective March 1, 2009, our Canadian subsidiary transferred certain property, plant and equipment used in our production testing business to Enseco, a competitor, in exchange for certain electric line (e-line) equipment. This exchange was determined to have commercial substance for us and therefore we recorded the new assets acquired at the fair market value of the assets surrendered which had a carrying value of $9,284. We incurred costs to sell totaling approximately $71. We determined the fair value of the assets with the assistance of a third-party appraiser, assuming an orderly liquidation methodology, to be $4,487, resulting in a loss on the exchange of $4,868. Of the total value assigned to the new assets, $4,209 was included in property, plant and equipment and $279 was included in inventory in the accompanying balance sheet as of December 31, 2009. The fair market value of the assets received was determined to be $5,497, using the same methodology applied to the assets surrendered. We believe that these e-line assets will generate cash flows in excess of the cash flows that would have been received from the production testing assets due to relatively higher demand from our customers for e-line services.

5. Notes payable:

We entered into a note arrangement to finance our annual insurance premiums for the policy term beginning December 1, 2007 and extending through April 30, 2009. Effective May 1, 2009, we renewed our insurance policies and entered into a similar financing arrangement through April 2010. We recorded a note payable of $7,960. The balance of this note at December 31, 2009 was $1,069. We repaid this amount in January 2010, resulting in a zero balance at March 31, 2010. We have a prepaid asset associated with our insurance policies. Our primary insurance policies extend through April 30, 2010 and we expect to renew these policies effective May 1, 2010.

6. Long-term debt:

The following table summarizes long-term debt as of March 31, 2010 and December 31, 2009:

	2010	2009
U.S. revolving credit facility (a)	$	$
Canadian revolving credit facility (a)		
8.0% senior notes (b)	650,000	650,000
Capital leases and other	193	230
	650,193	650,230
Less: current maturities of long-term debt and capital leases	193	228
	$ 650,000	$ 650,002

(a) We maintain a senior secured facility (the Credit Agreement) with Wells Fargo Bank, National Association, as U.S. Administrative Agent, HSBC Bank Canada, as Canadian Administrative Agent, and certain other financial institutions. On October 13, 2009, we entered into the Third Amendment (the Credit Agreement after giving effect to the Third Amendment, the Amended Credit Agreement) and modified the structure of our existing credit facility to an asset-based facility subject to borrowing base restrictions. In connection with the Third Amendment, Wells Fargo Capital Finance, LLC (formerly known as Wells Fargo Foothill, LLC) replaced Wells Fargo Bank, National Association, as U.S. Administrative Agent and also serves as U.S. Issuing Lender and U.S. Swingline Lender under the Amended Credit Agreement. The Amended Credit Agreement provides for a U.S. revolving credit facility of up to $225,000 that matures in December 2011 and a Canadian revolving credit facility of up to $15,000 (with Integrated Production Services Ltd., one of our wholly-owned subsidiaries, as the borrower thereof (Canadian Borrower)) that matures in December 2011.

The Amended Credit Agreement includes a provision for a commitment increase , as defined therein, which permits us to effect up to two separate increases in the aggregate commitments under the Amended Credit Agreement by designating one or more existing lenders or other banks or financial institutions, subject to the bank s sole discretion as to participation, to provide additional aggregate financing up to $75,000, with each committed increase equal to at least $25,000 in the U.S., or $5,000 in Canada, and in accordance with other provisions as stipulated in the Amended Credit Agreement. Certain portions of the credit facilities are available to be borrowed in U.S. dollars, Canadian dollars and other currencies approved by the lenders.

We were in compliance with the fixed charge coverage ratio covenant in the Amended Credit Agreement as of March 31, 2010. For a discussion of the methodology to calculate the borrowing base for the U.S. and Canadian portions of the facility, as well as our debt covenant requirements, prepayment options and potential exposure in the event of a default under the Amended Credit Agreement, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K as of December 31, 2009.

All of the obligations under the U.S. portion of the

Amended Credit Agreement are secured by first priority liens on substantially all of our assets and the assets of our U.S. subsidiaries as well as a pledge of approximately 66% of the stock of our first-tier foreign subsidiaries. Additionally, all of the obligations under the U.S. portion of the Amended Credit Agreement are guaranteed by substantially all of our U.S. subsidiaries. The obligations under the Canadian portion of the Amended Credit Agreement are secured by first priority liens on substantially all of our assets and the assets of our subsidiaries (other than our Mexican subsidiary). Additionally, all of the obligations under the Canadian portion of the Amended Credit Agreement are guaranteed by us as well as certain of our subsidiaries.

Subject to certain limitations set forth in the Amended Credit Agreement, we have the ability to elect how interest under the Amended Credit Agreement will be computed. Interest under the Amended Credit Agreement may be determined by reference to (1) the London Inter-bank Offered Rate, or LIBOR, plus an applicable margin between 3.75% and 4.25% per annum (with the applicable margin depending upon our excess availability amount , as defined in the Amended Credit Agreement) or (2) the Base Rate (which means the higher of the Prime Rate, Federal Funds Rate plus 0.50%, 3-month LIBOR plus 1.00% and 3.50%), plus the applicable margin, as described above. For the period from the effective date of the Third Amendment until the six month anniversary of the effective date of the Third Amendment, interest will be computed as described above with an applicable margin rate of 4.00%. If an event of default exists or continues under the Amended Credit Agreement, advances will bear interest as described above with an applicable margin rate of 4.25% plus 2.00%. Additionally, if an event of default exists under the Amended Credit Agreement, as defined therein, the lenders could accelerate the maturity of the obligations outstanding thereunder and exercise other rights and remedies. Interest is payable monthly.

There were no borrowings outstanding under our U.S. or Canadian revolving credit facilities as of or during the quarter ended March 31, 2010. There were letters of credit outstanding under the U.S. revolving portion of the facility totaling $54,649, which reduced the available borrowing capacity as of March 31, 2010. We incurred fees related to our letters of credit for the quarter ended March 31, 2010 which was calculated using a 360-day provision, at 4.1% per annum. The availability of the U.S. and Canadian revolving credit facilities is determined by our borrowing base less any borrowings and letters of credit outstanding. The net excess availability under our borrowing base calculations for the U.S. and Canadian revolving facilities at March 31, 2010 was $104,370 and $9,932, respectively.

We will incur unused commitment fees under the Amended Credit Agreement ranging from 0.50% to 1.00% based on the average daily balance of amounts outstanding. The unused commitment fees were calculated at 1.00% as of March 31, 2010.

(b) On December 6, 2006, we issued 8.0% senior notes with a face value of $650,000 through a private placement of debt. These notes mature in 10 years, on December 15, 2016, and require semi-annual interest payments, paid in arrears and calculated based on an annual rate of 8.0%, on June 15 and December 15, of each year, which commenced on June 15, 2007. There was no discount or premium associated with the issuance of these notes. The senior notes are guaranteed by all of our current domestic subsidiaries. The senior notes have covenants which, among other things: (1) limit the amount of additional indebtedness we can incur; (2) limit restricted payments such as a dividend; (3) limit our ability to incur liens or encumbrances; (4) limit our ability to purchase, transfer or dispose of significant assets; (5) limit our ability to purchase or redeem stock or subordinated debt; (6) limit our ability to enter into transactions with affiliates; (7) limit our ability to merge with or into other companies or transfer all or substantially all of our assets; and (8) limit our ability to enter into sale and leaseback transactions. We have the option to redeem all or part of these notes on or after December 15, 2011. Additionally, we may redeem some or all of the notes prior to December 15, 2011 at a price equal to 100% of the principal amount of the notes plus a make-whole premium.

Pursuant to a registration rights agreement with the holders of our 8.0% senior notes, on June 1, 2007, we filed a registration statement on Form S-4 with the SEC which enabled these holders to exchange their notes for publicly registered notes with substantially identical terms. These holders exchanged 100% of the notes for publicly traded notes on July 25, 2007. On August 28, 2007, we entered into a supplement to the indenture governing the 8.0% senior notes, whereby additional domestic subsidiaries became guarantors under the indenture. Effective April 1, 2009, we entered into a second supplement to this indenture whereby additional domestic subsidiaries became guarantors under the indenture.

7. Stockholders equity:

(a) Stock-based Compensation Stock Options:

We maintain option plans under which we grant stock-based compensation to employees, officers and directors to purchase our common stock. The exercise price of each option is based on the fair value of the company s stock at the date of grant. Options may be exercised over a five or ten-year period and generally a third of the options vest on each of the first three anniversaries from the grant date. Upon exercise of stock options, we issue our common stock.

We calculate stock compensation expense for our stock-based compensation awards by measuring the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award, with limited exceptions, by using an option pricing model to determine fair value. A further description can be found in our Annual Report on Form 10-K as of December 31, 2009.

Effective January 29, 2010, the Compensation Committee of our Board of Directors approved the annual grant of stock options and non-vested restricted stock to certain employees, officers and directors. Pursuant to this authorization, we issued 790,396 shares of non-vested restricted stock on January 29, 2010 at a grant price of $12.53 per share. We expect to recognize compensation expense associated with these grants of non-vested restricted stock totaling $9,904 ratably over the three-year vesting periods. In addition, we granted 5,000 and 2,400 shares of non-vested restricted stock on March 1, 2010 and March 8, 2010, at a grant price of $14.50 and $14.98, respectively. We expect to recognize compensation expense of $108 associated with these March 2010 grants. On January 29, 2010, we granted 510,300 stock options to purchase shares of our common stock at an exercise price of $12.53 per share. We will recognize compensation expense associated with these stock option grants ratably over the three-year vesting period. The fair value of the stock options granted during the quarter ended March 31, 2010 was determined by applying a Black-Scholes option pricing model based on the following assumptions:

Assumptions:	**Quarter Ended March 31, 2010**
Risk-free rate	1.38% to 2.34%
Expected term (in years)	3.7 to 5.1
Volatility	50.4%
Calculated fair value per option	$ 4.83 to $5.81

We calculated an average volatility factor for our common stock for the three-year period just prior to the grant date of this award. This volatility calculation was used to compute the calculation of the fair market value of stock option grants made during the quarter ended March 31, 2010.

We projected a rate of stock option forfeitures based upon historical experience and management assumptions related to the expected term of the options. After adjusting for these forfeitures, we expect to recognize expense totaling $2,635 over the vesting period of these 2010 stock option grants. For the quarter ended March 31, 2010, we have recognized expense related to these stock option grants totaling $151, which represents a reduction of net income before taxes. The impact on the net loss for the quarter ended March 31, 2010 was an increase of $102, with no impact on diluted earnings per share as reported. The unrecognized compensation costs related to the non-vested portion of these awards was $2,484 as of March 31, 2010 and will be recognized over the applicable remaining vesting periods.

For the quarters ended March 31, 2010 and 2009, we recognized compensation expense associated with all stock option awards totaling $750 and $1,338, respectively, resulting in an increase in net loss of $504 and $1,017, respectively, and a $0.01 reduction in earnings per share for each of the quarters ended March 31, 2010 and 2009. Total unrecognized compensation expense associated with outstanding stock option awards at March 31, 2010 was $3,921 or $2,639, net of tax.

The following tables provide a roll forward of stock options from December 31, 2009 to March 31, 2010 and a summary of stock options outstanding by exercise price range at March 31, 2010:

	Options Outstanding	
	Number	**Weighted Average Exercise Price**
Balance at December 31, 2009	3,383,620	$ 13.09
Granted	510,300	$ 12.53

Exercised	(86,129)	$ 8.10
Cancelled	(48,773)	$11.58
Balance at March 31, 2010	3,759,018	$13.15

Range of Exercise Price	Options Outstanding Outstanding at March 31, 2010	Weighted Average Remaining Life (months)	Weighted Average Exercise Price	Options Exercisable Exercisable at March 31, 2010	Weighted Average Remaining Life (months)	Weighted Average Exercise Price
$2.00	7,396	6	$ 2.00	7,396	6	$ 2.00
$4.79	14,087	1	$ 4.79	14,087	1	$ 4.79
$5.00	82,750	38	$ 5.00	82,750	38	$ 5.00
$6.41 $8.16	1,457,266	87	$ 6.53	858,979	74	$ 6.61
$11.66 $12.53	750,386	44	$ 12.25	240,086	66	$ 11.66
$15.90	303,667	94	$ 15.90	202,445	82	$ 15.90
$17.60 $19.87	599,754	82	$ 19.83	599,754	82	$ 19.83
$22.55 $24.07	445,878	73	$ 23.95	443,045	73	$ 23.95
$26.26 $27.11	45,000	86	$ 26.35	30,000	86	$ 26.35
$29.88	40,000	98	$ 29.88	13,333	98	$ 29.88
$34.19	12,834	99	$ 34.19	4,278	99	$ 34.19
	3,759,018	75	$ 13.15	2,496,153	74	$ 14.43

The total intrinsic value of stock options exercised during the quarter ended March 31, 2010 was $503. The total intrinsic value of all in-the-money vested outstanding stock options at March 31, 2010 was $4,953. Assuming all stock options outstanding at March 31, 2010 were vested, the total intrinsic value of all in-the-money outstanding stock options would have been $7,910.

(b) Non-vested Restricted Stock:

We present the amortization of non-vested restricted stock as an increase in additional paid-in capital. At March 31, 2010, amounts not yet recognized related to non-vested restricted stock totaled $17,265, which represented the unamortized expense associated with awards of non-vested stock granted to employees, officers and directors under our compensation plans, including $10,012 related to grants during the quarter ended March 31, 2010. We recognized compensation expense associated with non-vested restricted stock totaling $1,884 and $2,122 for the quarters ended March 31, 2010 and 2009, respectively.

The following table summarizes the change in non-vested restricted stock from December 31, 2009 to March 31, 2010:

	Non-vested Restricted Stock Number	Weighted Average Grant Price
Balance at December 31, 2009	1,635,565	$10.27
Granted	797,796	$12.55
Vested	(667,926)	$10.95
Forfeited	(49,492)	$10.59
Balance at March 31, 2010	1,715,942	$11.06

(c) Treasury Shares:

In accordance with the provisions of the 2008 Incentive Award Plan, holders of non-vested restricted stock were given the option to either remit to us the required withholding taxes associated with the vesting of restricted stock, or to authorize us to repurchase shares equivalent to the cost of the withholding tax and to remit the withholding taxes on behalf of the holder. Pursuant to this provision, we repurchased the following shares in the quarter ended March 31, 2010:

Period	Purchased	Average Price Paid per Share	Extended Amount
January 1 - 31, 2010	109,360	$ 12.53	$ 1,370
March 1 - 31, 2010	902	$ 14.06	13
	110,262		$ 1,383

8. Earnings per share:

We compute basic earnings per share by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per common and potential common share includes the weighted average of additional shares associated with the incremental effect of dilutive employee stock options and non-vested restricted stock, as determined using the treasury stock method prescribed by the Financial Accounting Standards Board (FASB) guidance on earnings per share.

For the quarters ended March 31, 2010 and 2009, we incurred net losses and thus all potential common shares were deemed to be anti-dilutive. We excluded the impact of anti-dilutive potential common shares from the calculation of diluted weighted average shares for the quarters ended March 31, 2010 and 2009. If these potential common shares were included in the calculation, the impact would have been a decrease in diluted weighted average shares outstanding of 386,688 shares and 5,147,144 shares for the quarters ended March 31, 2010 and 2009, respectively.

9. Segment information:

We report segment information based on how our management organizes the operating segments to make operational decisions and to assess financial performance. We evaluate performance and allocate resources based on net income (loss) from continuing operations before net interest expense, taxes, depreciation and amortization, non-controlling interest and impairment loss (Adjusted EBITDA). The calculation of Adjusted EBITDA should not be viewed as a substitute for calculations under U.S. GAAP, in particular net income. Adjusted EBITDA is included in this Quarterly Report on Form 10-Q because our management considers it an important supplemental measure of our performance and believes that it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry, some of which present EBITDA when reporting their results. We regularly evaluate our performance as compared to other companies in our industry that have different financing and capital structures and/or tax rates by using Adjusted EBITDA. In addition, we use Adjusted EBITDA in evaluating acquisition targets. Management also believes that Adjusted EBITDA is a useful tool for measuring our ability to meet our future debt service, capital expenditures and working capital requirements, and Adjusted EBITDA is commonly used by us and our investors to measure our ability to service indebtedness. Adjusted EBITDA is not a substitute for the GAAP measures of earnings or cash flow and is not necessarily a measure of our ability to fund our cash needs. In addition, it should be noted that companies calculate EBITDA differently and, therefore, EBITDA has material limitations as a performance measure because it excludes interest expense, taxes, depreciation and amortization and non-controlling interest. Adjusted EBITDA calculated by us may not be comparable to the calculation of EBITDA as defined and used under our credit facilities (see Note 7, Long-term debt in the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2009 for a description of the calculation of EBITDA under our existing credit facility, as amended). See also the table below for a reconciliation of Adjusted EBITDA to operating income (loss) by segment.

We have three reportable operating segments: completion and production services (C&PS), drilling services and product sales. The accounting policies of our reporting segments are the same as those used to prepare our consolidated financial statements as of March 31, 2010. Inter-segment transactions are accounted for on a cost recovery basis.

	C&PS	Drilling Services	Product Sales	Corporate	Total
Quarter Ended March 31, 2010					
Revenue from external customers	$ 266,288	$ 35,104	$ 8,312	$	$ 309,704
Inter-segment revenues	$ 27	$ 149	$ 607	$ (783)	$
Adjusted EBITDA, as defined	$ 57,756	$ 5,419	$ 1,562	$ (8,829)	$ 55,908
Depreciation and amortization	$ 39,793	$ 4,458	$ 576	$ 492	$ 45,319
Operating income (loss)	$ 17,963	$ 961	$ 986	$ (9,321)	$ 10,589
Capital expenditures	$ 8,419	$ 2,838	$ 86	$	$ 11,343
As of March 31, 2010					
Segment assets	$ 1,287,033	$ 172,556	$ 37,147	$ 113,389	$ 1,610,125

Quarter Ended March 31, 2009					
Revenue from external customers	$ 287,526	$ 35,391	$ 13,764	$	$ 336,681
Inter-segment revenues	$ 24	$ 285	$ 807	$ (1,116)	$
Adjusted EBITDA, as defined	$ 66,224	$ 6,887	$ 2,551	$ (9,967)	$ 65,695
Depreciation and amortization	$ 44,926	$ 5,548	$ 634	$ 581	$ 51,689

	C&PS	Drilling Services	Product Sales	Corporate	Total
Operating income (loss)	$ 21,298	$ 1,339	$ 1,917	$ (10,548)	$ 14,006
Capital expenditures	$ 12,700	$	$ 40	$ 88	$ 12,828
As of December 31, 2009					
Segment assets	$ 1,292,199	$ 172,605	$ 37,270	$ 86,780	$ 1,588,854

We do not allocate net interest expense or tax expense to the operating segments. The following table reconciles operating income as reported above to net loss for the quarters ended March 31, 2010 and 2009:

	Quarters Ended March 31, 2010	2009
Segment operating income	$ 10,589	$ 14,006
Interest expense	14,741	14,458
Interest income	(48)	(10)
Income taxes	(1,342)	(106)
Net loss	$ (2,762)	$ (336)

There were no changes in the carrying amount of goodwill by segment for the quarter ended March 31, 2010. Consistent with the presentation at December 31, 2009, the balances at March 31, 2010 were as follows: C&PS $235,859; Drilling Services $5,563; and Product Sales $2,401.

10. Financial instruments:

The financial instruments recognized in the balance sheet consist of cash and cash equivalents, trade accounts receivable, bank operating loans, accounts payable and accrued liabilities, long-term debt and senior notes. The fair value of all financial instruments approximates their carrying amounts due to their current maturities or market rates of interest, except the senior notes which were issued in December 2006 with a fixed 8% coupon rate. At March 31, 2010, the fair value of these notes was $648,375 based on the published closing price.

A significant portion of our trade accounts receivable is from companies in the oil and gas industry, and as such, we are exposed to normal industry credit risks. We evaluate the credit-worthiness of our major new and existing customers financial condition and generally do not require collateral. For the quarter ended March 31, 2010, one customer provided 11.1% of our sales and another customer provided 9.5% of our sales.

11. Legal matters and contingencies:

In the normal course of our business, we are a party to various pending or threatened claims, lawsuits and administrative proceedings seeking damages or other remedies concerning our commercial operations, products, employees and other matters, including warranty and product liability claims and occasional claims by individuals alleging exposure to hazardous materials, on the job injuries and fatalities as a result of our products or operations. Many of the claims filed against us relate to motor vehicle accidents which can result in the loss of life or serious bodily injury. Some of these claims relate to matters occurring prior to our acquisition of businesses. In certain cases, we are entitled to indemnification from the sellers of such businesses.

Although we cannot know or predict with certainty the outcome of any claim or proceeding or the effect such outcomes may have on us, we believe that any liability resulting from the resolution of any of these matters, to the extent not otherwise provided for or covered by insurance, will not have a material adverse effect on our financial position, results of operations or liquidity.

We have historically incurred additional insurance premium related to a cost-sharing provision of our general liability insurance policy, and we cannot be certain that we will not incur additional costs until either existing claims become further developed or until the limitation periods expire for each respective policy year. Any such additional premiums should not have a material adverse effect on our financial position, results of operations or liquidity.

12. Guarantor and Non-Guarantor Condensed Consolidating Financial Statements:

The following tables present the financial data required pursuant to SEC Regulation S-X Rule 3-10(f), which includes: (1) unaudited condensed consolidating balance sheets as of March 31, 2010 and December 31, 2009; (2) unaudited condensed consolidating statements of operations for the quarters ended March 31, 2010 and 2009 and (3) unaudited condensed consolidating statements of cash flows for the quarters ended March 31, 2010 and 2009.

Condensed Consolidating Balance Sheet
March 31, 2010

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations/ Reclassifications	Consolidated
Current assets					
Cash and cash equivalents	$ 93,731	$ 658	$ 16,403	$ (5,353)	$ 105,439
Accounts receivable, net	594	173,109	32,782		206,485
Inventory, net		21,981	12,140		34,121
Prepaid expenses	1,946	11,609	1,516		15,071
Income tax receivable	35,407	17,136	3,935		56,478
Current deferred tax assets	8,158				8,158
Other current assets		163			163
Total current assets	139,836	224,656	66,776	(5,353)	425,915
Property, plant and equipment, net	3,891	845,962	58,839		908,692
Investment in consolidated subsidiaries	770,383	112,507		(882,890)	
Inter-company receivable	577,694			(577,694)	
Goodwill	15,531	225,434	2,858		243,823
Other long-term assets, net	15,250	12,193	4,252		31,695
Total assets	$ 1,522,585	$ 1,420,752	$ 132,725	$ (1,465,937)	$ 1,610,125
Current liabilities					
Current maturities of long-term debt	$	$ 193	$	$	$ 193
Accounts payable	(738)	32,262	6,336	(5,353)	32,507
Accrued liabilities	15,396	19,587	9,664		44,647
Accrued payroll and payroll burdens	459	17,406	2,728		20,593
Accrued interest	15,770		8		15,778
Accrued taxes payable			221		221
Total current liabilities	30,887	69,448	18,957	(5,353)	113,939
Long-term debt	650,000				650,000
Inter-company payable		577,129	565	(577,694)	
Deferred income taxes	141,927	3,792	696		146,415
Total liabilities	822,814	650,369	20,218	(583,047)	910,354
Stockholders equity					
Total stockholders equity	699,771	770,383	112,507	(882,890)	699,771

Total liabilities and stockholders equity	$ 1,522,585	$ 1,420,752	$ 132,725	$ (1,465,937)	$ 1,610,125

Condensed Consolidating Balance Sheet
December 31, 2009

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations/ Reclassifications	Consolidated
Current assets					
Cash and cash equivalents	$ 64,871	$ 519	$ 17,001	$ (5,031)	$ 77,360
Accounts receivable, net	610	143,135	27,539		171,284
Inventory, net		23,001	14,463		37,464
Prepaid expenses	3,897	13,052	994		17,943
Income tax receivable	35,404	20,201	2,001		57,606
Current deferred tax assets	8,158				8,158
Other current assets		111			111
Total current assets	112,940	200,019	61,998	(5,031)	369,926
Property, plant and equipment, net	4,222	876,304	60,607		941,133
Investment in consolidated subsidiaries	755,435	104,974		(860,409)	
Inter-company receivable	607,325			(607,325)	

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations/ Reclassifications	Consolidated
Goodwill	15,531	225,434	2,858		243,823
Other long-term assets, net	16,026	13,803	4,143		33,972
Total assets	$ 1,511,479	$ 1,420,534	$ 129,606	$ (1,472,765)	$ 1,588,854
Current liabilities					
Current maturities of long-term debt	$	$ 228	$	$	$ 228
Accounts payable	445	30,028	6,303	(5,031)	31,745
Accrued liabilities	14,064	18,257	8,781		41,102
Accrued payroll and payroll burdens	388	10,847	2,324		13,559
Accrued interest	3,198		8		3,206
Notes payable	1,068	1			1,069
Income taxes payable			813		813
Total current liabilities	19,163	59,361	18,229	(5,031)	91,722
Long-term debt	650,000		2		650,002
Inter-company payable		601,947	5,378	(607,325)	
Deferred income taxes	143,427	3,793	1,020		148,240
Total liabilities	812,590	665,101	24,629	(612,356)	889,964
Stockholders equity					
Total stockholders equity	698,889	755,433	104,977	(860,409)	698,890
Total liabilities and stockholders equity	$ 1,511,479	$ 1,420,534	$ 129,606	$ (1,472,765)	$ 1,588,854

Condensed Consolidated Statement of Operations
Quarter Ended March 31, 2010

Guarantor	Non-guarantor	Eliminations