

Complete Production Services, Inc.

Form 10-Q

April 30, 2009

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

**Form 10-Q**

(MARK ONE)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2009**

**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  No

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  No

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 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  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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

Number of shares of the common stock, par value \$0.01 per share, of the registrant outstanding as of April 27, 2009:  
76,848,460

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**Complete Production Services, Inc.**

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**COMPLETE PRODUCTION SERVICES, INC.**  
**Consolidated Balance Sheets**  
**March 31, 2009 (unaudited) and December 31, 2008**

|                                                                                                              | <b>2009</b>                              | <b>2008</b>  |
|--------------------------------------------------------------------------------------------------------------|------------------------------------------|--------------|
|                                                                                                              | <b>(In thousands, except share data)</b> |              |
| <b>ASSETS</b>                                                                                                |                                          |              |
| Current assets:                                                                                              |                                          |              |
| Cash and cash equivalents                                                                                    | \$ 24,778                                | \$ 19,090    |
| Trade accounts receivable, net                                                                               | 241,745                                  | 343,353      |
| Inventory, net                                                                                               | 54,690                                   | 41,891       |
| Prepaid expenses                                                                                             | 15,374                                   | 21,472       |
| Tax receivable                                                                                               | 27,460                                   | 21,328       |
| Total current assets                                                                                         | 364,047                                  | 447,134      |
| Property, plant and equipment, net                                                                           | 1,114,202                                | 1,166,453    |
| Intangible assets, net of accumulated amortization of \$11,898 and \$9,985, respectively                     | 21,389                                   | 23,262       |
| Deferred financing costs, net of accumulated amortization of \$4,655 and \$4,186, respectively               | 11,994                                   | 12,463       |
| Goodwill                                                                                                     | 341,512                                  | 341,592      |
| Other long-term assets                                                                                       | 4,258                                    | 3,973        |
| Total assets                                                                                                 | \$ 1,857,402                             | \$ 1,994,877 |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>                                                                   |                                          |              |
| Current liabilities:                                                                                         |                                          |              |
| Current maturities of long-term debt                                                                         | \$ 324                                   | \$ 3,803     |
| Accounts payable                                                                                             | 30,372                                   | 57,483       |
| Accrued liabilities                                                                                          | 41,725                                   | 37,585       |
| Accrued payroll and payroll burdens                                                                          | 19,679                                   | 31,293       |
| Accrued interest                                                                                             | 16,070                                   | 2,754        |
| Notes payable                                                                                                |                                          | 1,353        |
| Deferred tax liabilities                                                                                     | 1,435                                    | 1,289        |
| Total current liabilities                                                                                    | 109,605                                  | 135,560      |
| Long-term debt                                                                                               | 727,420                                  | 843,842      |
| Deferred income taxes                                                                                        | 149,457                                  | 146,359      |
| Total liabilities                                                                                            | 986,482                                  | 1,125,761    |
| Commitments and contingencies                                                                                |                                          |              |
| Stockholders' equity:                                                                                        |                                          |              |
| Common stock, \$0.01 par value per share, 200,000,000 shares authorized, 74,981,092 (2008 74,766,317) issued | 750                                      | 748          |

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|                                                                                                            |              |              |
|------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Preferred stock, \$0.01 par value per share, 5,000,000 shares authorized, no shares issued and outstanding |              |              |
| Additional paid-in capital                                                                                 | 627,486      | 623,988      |
| Retained earnings                                                                                          | 231,744      | 232,080      |
| Treasury stock, 46,232 (2008 35,570) shares at cost                                                        | (270)        | (202)        |
| Accumulated other comprehensive income                                                                     | 11,210       | 12,502       |
| Total stockholders' equity                                                                                 | 870,920      | 869,116      |
| Total liabilities and stockholders' equity                                                                 | \$ 1,857,402 | \$ 1,994,877 |

See accompanying notes to consolidated financial statements.

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**COMPLETE PRODUCTION SERVICES, INC.**  
**Consolidated Statements of Operations**  
**Three Months Ended March 31, 2009 and 2008 (unaudited)**

|                                                                                           | <b>Three Months Ended<br/>March 31,</b>          |             |
|-------------------------------------------------------------------------------------------|--------------------------------------------------|-------------|
|                                                                                           | <b>2009</b>                                      | <b>2008</b> |
|                                                                                           | <b>(In thousands, except per<br/>share data)</b> |             |
| Revenue:                                                                                  |                                                  |             |
| Service                                                                                   | \$ 322,917                                       | \$ 404,963  |
| Product                                                                                   | 13,764                                           | 12,215      |
|                                                                                           | 336,681                                          | 417,178     |
| Service expenses                                                                          | 211,213                                          | 244,987     |
| Product expenses                                                                          | 10,495                                           | 7,820       |
| Selling, general and administrative expenses                                              | 49,278                                           | 44,643      |
| Depreciation and amortization                                                             | 51,689                                           | 39,251      |
| Income before interest and taxes                                                          | 14,006                                           | 80,477      |
| Interest expense                                                                          | 14,458                                           | 15,346      |
| Interest income                                                                           | (10)                                             | (56)        |
| Income (loss) before taxes                                                                | (442)                                            | 65,187      |
| Taxes                                                                                     | (106)                                            | 23,412      |
| Income (loss) from continuing operations                                                  | (336)                                            | 41,775      |
| Income from discontinued operations (net of tax expense of \$0 and \$1,296, respectively) |                                                  | 2,151       |
| Net income (loss)                                                                         | \$ (336)                                         | \$ 43,926   |
| Earnings per share information:                                                           |                                                  |             |
| Continuing operations                                                                     | \$ (0.00)                                        | \$ 0.58     |
| Discontinued operations                                                                   |                                                  | 0.03        |
| Basic earnings per share                                                                  | \$ (0.00)                                        | \$ 0.61     |
| Continuing operations                                                                     | \$ (0.00)                                        | \$ 0.57     |
| Discontinued operations                                                                   |                                                  | 0.03        |
| Diluted earnings per share                                                                | \$ (0.00)                                        | \$ 0.60     |
| Weighted average shares:                                                                  |                                                  |             |
| Basic                                                                                     | 74,895                                           | 72,562      |
| Diluted                                                                                   | 74,895                                           | 73,712      |

**Consolidated Statements of Comprehensive Income (Loss)**  
**Three Months Ended March 31, 2009 and 2008 (unaudited)**

|                                             | <b>Three Months Ended<br/>March 31,</b> |             |
|---------------------------------------------|-----------------------------------------|-------------|
|                                             | <b>2009</b>                             | <b>2008</b> |
|                                             | <b>(In thousands)</b>                   |             |
| Net income (loss)                           | \$ (336)                                | \$ 43,926   |
| Change in cumulative translation adjustment | (1,292)                                 | (3,646)     |
| Comprehensive income (loss)                 | \$ (1,628)                              | \$ 40,280   |

See accompanying notes to consolidated financial statements.

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**COMPLETE PRODUCTION SERVICES, INC.**  
**Consolidated Statement of Stockholders Equity**  
**Three Months Ended March 31, 2009 (unaudited)**

|                                                        | <b>Number<br/>of Shares</b> | <b>Common<br/>Stock</b> | <b>Additional<br/>Paid-in<br/>Capital</b> | <b>Retained<br/>Earnings</b> | <b>Treasury<br/>Stock</b> | <b>Accumulated<br/>Other<br/>Comprehensive<br/>Income</b> | <b>Total</b> |
|--------------------------------------------------------|-----------------------------|-------------------------|-------------------------------------------|------------------------------|---------------------------|-----------------------------------------------------------|--------------|
|                                                        |                             |                         | (In thousands, except share data)         |                              |                           |                                                           |              |
| Balance at<br>December 31, 2008                        | 74,766,317                  | \$ 748                  | \$ 623,988                                | \$ 232,080                   | \$ (202)                  | \$ 12,502                                                 | \$ 869,116   |
| Net loss                                               |                             |                         |                                           | (336)                        |                           |                                                           | (336)        |
| Cumulative<br>translation<br>adjustment                |                             |                         |                                           |                              |                           | (1,292)                                                   | (1,292)      |
| Issuance of common<br>stock:                           |                             |                         |                                           |                              |                           |                                                           |              |
| Exercise of stock<br>options                           | 12,514                      |                         | 25                                        |                              |                           |                                                           | 25           |
| Expense related to<br>employee stock<br>options        |                             |                         | 1,338                                     |                              |                           |                                                           | 1,338        |
| Excess tax benefit<br>from share-based<br>compensation |                             |                         | 15                                        |                              |                           |                                                           | 15           |
| Purchase treasury<br>shares                            | (10,662)                    |                         |                                           |                              | (68)                      |                                                           | (68)         |
| Vested restricted<br>stock                             | 212,923                     | 2                       | (2)                                       |                              |                           |                                                           |              |
| Amortization of<br>non-vested<br>restricted stock      |                             |                         | 2,122                                     |                              |                           |                                                           | 2,122        |
| Balance at<br>March 31, 2009                           | 74,981,092                  | \$ 750                  | \$ 627,486                                | \$ 231,744                   | \$ (270)                  | \$ 11,210                                                 | \$ 870,920   |

See accompanying notes to consolidated financial statements.

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**COMPLETE PRODUCTION SERVICES, INC.**  
**Consolidated Statements of Cash Flows**  
**Three Months Ended March 31, 2009 and 2008 (unaudited)**

|                                                                             | <b>Three Months Ended<br/>March 31,</b> |             |
|-----------------------------------------------------------------------------|-----------------------------------------|-------------|
|                                                                             | <b>2009</b>                             | <b>2008</b> |
|                                                                             | <b>(In thousands)</b>                   |             |
| Cash provided by (used in):                                                 |                                         |             |
| Operating activities:                                                       |                                         |             |
| Net income (loss)                                                           | \$ (336)                                | \$ 43,926   |
| Items not affecting cash:                                                   |                                         |             |
| Depreciation and amortization                                               | 51,689                                  | 40,582      |
| Deferred income taxes                                                       | 4,837                                   | 13,836      |
| Excess tax benefit from share-based compensation                            | (15)                                    | (505)       |
| Non-cash compensation expense                                               | 3,460                                   | 2,186       |
| Loss on non-monetary asset exchange                                         | 4,868                                   |             |
| Other                                                                       | 2,300                                   | 1,790       |
| Changes in operating assets and liabilities, net of effect of acquisitions: |                                         |             |
| Accounts receivable                                                         | 99,811                                  | (22,849)    |
| Inventory                                                                   | (11,270)                                | 2,893       |
| Prepaid expense and other current assets                                    | 6,535                                   | (896)       |
| Accounts payable                                                            | (27,139)                                | (13,427)    |
| Accrued liabilities and other                                               | (2,384)                                 | 8,348       |
| Net cash provided by operating activities                                   | 132,356                                 | 75,884      |
| Investing activities:                                                       |                                         |             |
| Business acquisitions, net of cash acquired                                 |                                         | (9,309)     |
| Additions to property, plant and equipment                                  | (12,828)                                | (51,332)    |
| Collection of notes receivable                                              |                                         | 2,328       |
| Proceeds from disposal of capital assets                                    | 7,156                                   | 1,071       |
| Net cash used in investing activities                                       | (5,672)                                 | (57,242)    |
| Financing activities:                                                       |                                         |             |
| Issuances of long-term debt                                                 | 3,146                                   | 101,532     |
| Repayments of long-term debt                                                | (123,047)                               | (116,902)   |
| Repayment of notes payable                                                  | (1,353)                                 | (7,910)     |
| Proceeds from issuances of common stock                                     | 25                                      | 570         |
| Purchase of treasury shares                                                 | (68)                                    |             |
| Excess tax benefit from share-based compensation                            | 15                                      | 505         |
| Net cash used in financing activities                                       | (121,282)                               | (22,205)    |
| Effect of exchange rate changes on cash                                     | 286                                     | 368         |
| Change in cash and cash equivalents                                         | 5,688                                   | (3,195)     |
| Cash and cash equivalents, beginning of period                              | 19,090                                  | 13,681      |

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|                                          |           |           |
|------------------------------------------|-----------|-----------|
| Cash and cash equivalents, end of period | \$ 24,778 | \$ 10,486 |
|------------------------------------------|-----------|-----------|

Supplemental cash flow information:

|                                                     |        |          |
|-----------------------------------------------------|--------|----------|
| Cash paid for interest, net of interest capitalized | \$ 701 | \$ 2,206 |
|-----------------------------------------------------|--------|----------|

|                     |          |          |
|---------------------|----------|----------|
| Cash paid for taxes | \$ 2,697 | \$ 4,495 |
|---------------------|----------|----------|

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 Form 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, 2009 and the statements of operations and the statements of comprehensive income for the three months ended March 31, 2009 and 2008, as well as the statement of stockholders' equity for the three months ended March 31, 2009 and the statements of cash flows for the three months ended March 31, 2009 and 2008. Certain information and disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles ( GAAP ) have been condensed or omitted. These unaudited interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2008. 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. Certain reclassifications have been made to 2008 amounts in order to present these results on a comparable basis with amounts for 2009, including a reclassification of certain payroll benefits and related burdens. For the quarter ended March 31, 2008, we reclassified \$2,775 from selling, general and administrative expense to cost of services. This reclassification was made to allocate payroll benefit costs to the cost of services in an effort to insure that these costs and their impact on gross margin were aligned consistently throughout our operating units. In addition, we changed the presentation of capitalized interest at one of our subsidiaries for the quarter ended March 31, 2008, which resulted in a decrease in interest income and an offsetting decrease in interest expense totaling \$569. This change had no impact on net interest expense as previously disclosed.

In May 2008, our Board of Directors authorized and committed to a plan to sell certain operations in the Barnett Shale region of north Texas, consisting primarily of our supply store business, as well as certain non-strategic drilling logistics assets and other completion and production services assets. On May 19, 2008, we sold these operations to a company owned by a former officer of one of our subsidiaries, for which we received proceeds of \$50,150 and assets with a fair market value of \$7,987. Accordingly, we have revised our statement of operations for the quarter ended March 31, 2008 to present the operating results of this disposal group as discontinued operations. See Note 9 Discontinued Operations.

**Table of Contents****2. Accounts receivable:**

|                                 | <b>March 31,<br/>2009</b> | <b>December<br/>31,<br/>2008</b> |
|---------------------------------|---------------------------|----------------------------------|
| Trade accounts receivable       | \$ 202,442                | \$ 292,777                       |
| Related party receivables       | 15,112                    | 11,631                           |
| Unbilled revenue                | 25,206                    | 39,749                           |
| Notes receivable                | 108                       | 283                              |
| Other receivables               | 6,396                     | 4,889                            |
|                                 | 249,264                   | 349,329                          |
| Allowance for doubtful accounts | 7,519                     | 5,976                            |
|                                 | \$ 241,745                | \$ 343,353                       |

**3. Inventory:**

|                                          | <b>March 31,<br/>2009</b> | <b>December<br/>31,<br/>2008</b> |
|------------------------------------------|---------------------------|----------------------------------|
| Finished goods                           | \$ 27,501                 | \$ 20,915                        |
| Manufacturing parts, materials and other | 21,807                    | 16,353                           |
| Work in process                          | 6,092                     | 5,333                            |
|                                          | 55,400                    | 42,601                           |
| Inventory reserves                       | 710                       | 710                              |
|                                          | \$ 54,690                 | \$ 41,891                        |

**4. Property, plant and equipment:**

| <b>March 31, 2009</b>          | <b>Cost</b>  | <b>Accumulated<br/>Depreciation</b> | <b>Net Book<br/>Value</b> |
|--------------------------------|--------------|-------------------------------------|---------------------------|
| Land                           | \$ 8,896     | \$                                  | \$ 8,896                  |
| Buildings                      | 19,824       | 2,487                               | 17,337                    |
| Field equipment                | 1,334,045    | 396,544                             | 937,501                   |
| Vehicles                       | 151,022      | 54,306                              | 96,716                    |
| Office furniture and computers | 16,117       | 6,770                               | 9,347                     |
| Leasehold improvements         | 22,602       | 3,568                               | 19,034                    |
| Construction in progress       | 25,371       |                                     | 25,371                    |
|                                | \$ 1,577,877 | \$ 463,675                          | \$ 1,114,202              |
| <b>December 31, 2008</b>       | <b>Cost</b>  | <b>Accumulated<br/>Depreciation</b> | <b>Net Book<br/>Value</b> |

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|                                |              |            |              |
|--------------------------------|--------------|------------|--------------|
| Land                           | \$ 10,078    | \$         | \$ 10,078    |
| Buildings                      | 20,155       | 2,097      | 18,058       |
| Field equipment                | 1,314,104    | 359,385    | 954,719      |
| Vehicles                       | 152,297      | 49,826     | 102,471      |
| Office furniture and computers | 16,069       | 6,736      | 9,333        |
| Leasehold improvements         | 23,679       | 3,193      | 20,486       |
| Construction in progress       | 51,308       |            | 51,308       |
|                                | \$ 1,587,690 | \$ 421,237 | \$ 1,166,453 |

Construction in progress at March 31, 2009 and December 31, 2008 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 three months ended March 31, 2009, we recorded capitalized interest of \$354 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 exchanged 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 in accordance with SFAS No. 153, Exchanges of Nonmonetary Assets An Amendment of APB Opinion No. 29. The assets surrendered had a carrying value of \$9,284 and we incurred cost to sell totaling approximately \$71. We determined the fair value of the assets with the assistance of a third-party appraiser, assuming an orderly

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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 March 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.

Effective March 31, 2009, we entered into a sale-leaseback transaction with Agua Dulce, LLC, through which we sold a facility and approximately 50 acres of real property located near Rock Springs, Wyoming for \$3,827. The sales price approximated the net book value of the facility, which is currently under construction, and the land resulting in an insignificant gain on the transaction which has been included as a component of selling, general and administrative expense in the accompanying statement of operations for the three months ended March 31, 2009. In addition, the buyer agreed to fund the completion of the construction of the facility. Effective April 1, 2009, we became party to the lease agreement which requires monthly operating lease payments for a term of 10 years, with an option to extend the lease term for an additional 10 years. The rental rate adjusts for construction draws to date divided ratably over the remaining lease term. The lease term began on April 1, 2009 and the first monthly rental was \$35. We will also incur additional lease costs related to certain operating costs, taxes and insurance for the facility over the term of the lease.

**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. As of December 31, 2007, we recorded a note payable totaling \$15,354 and an offsetting prepaid asset which included a broker's fee. At December 31, 2008, this note balance totaled \$1,353 and was classified as a current liability. We paid this note in full during the first quarter of 2009. We expect to renew our insurance policies in May 2009 and to enter into a similar financing arrangement.

**6. Long-term debt:**

The following table summarizes long-term debt as of March 31, 2009 and December 31, 2008:

|                                                               | <b>2009</b> | <b>2008</b> |
|---------------------------------------------------------------|-------------|-------------|
| U.S. revolving credit facility (a)                            | \$ 70,000   | \$ 186,000  |
| Canadian revolving credit facility (a)                        | 7,212       | 7,495       |
| 8.0% senior notes (b)                                         | 650,000     | 650,000     |
| Subordinated seller notes (c)                                 |             | 3,450       |
| Capital leases and other                                      | 532         | 700         |
|                                                               | 727,744     | 847,645     |
| Less: current maturities of long-term debt and capital leases | 324         | 3,803       |
|                                                               | \$ 727,420  | \$ 843,842  |

- (a) We maintain a senior secured credit facility (the Credit Agreement) with Wells Fargo Bank, National Association, as U.S. Administrative Agent, and

certain other financial institutions. The Credit Agreement provides for a \$360,000 U.S. revolving credit facility that matures in December 2011 and a \$40,000 Canadian revolving credit facility (with Integrated Production Services, Ltd., one of our wholly-owned subsidiaries, as the borrower thereof) that matures in December 2011. The U.S. revolving credit facility includes a provision for a commitment increase clause, as defined in the Credit Agreement, which permits us to effect up to two separate increases in the aggregate commitments under the facility by designating a participating lender to increase its commitment, by mutual agreement, in increments of at least \$50,000, with the



aggregate of such commitment increases not to exceed \$100,000, and in accordance with other provisions as stipulated in the amendment. Certain portions of the credit facilities are available to be borrowed in U.S. dollars, Canadian dollars, Pounds Sterling, Euros and other currencies approved by the lenders.

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Subject to certain limitations, we have the ability to elect how interest under the Credit Agreement will be computed. Interest under the Credit Agreement may be determined by reference to (1) the London Inter-bank Offered Rate, or LIBOR, plus an applicable margin between 0.75% and 1.75% per annum (with the applicable margin depending upon our ratio of total debt to EBITDA (as defined in the agreement)) or (2) the Base Rate (i.e., the higher of the Canadian banks prime rate or the CDOR rate plus 1.0%, in the case of Canadian loans or the greater of the prime rate and the federal funds rate plus 0.5%, in the case of U.S. loans), plus an applicable margin between 0.00% and

0.75% per annum. If an event of default exists under the Credit Agreement, advances will bear interest at the then-applicable rate plus 2%. Interest is payable quarterly for base rate loans and at the end of applicable interest periods for LIBOR loans, except that if the interest period for a LIBOR loan is six months, interest will be paid at the end of each three-month period.

The Credit Agreement also contains various covenants that limit our and our subsidiaries ability to:

- (1) grant certain liens;
- (2) make certain loans and investments;
- (3) make capital expenditures;
- (4) make distributions;
- (5) make acquisitions;
- (6) enter into hedging transactions;

(7) merge or consolidate; or  
(8) engage in certain asset dispositions. Additionally, the Credit Agreement limits our and our subsidiaries ability to incur additional indebtedness if:  
(1) we are not in pro forma compliance with all terms under the Credit Agreement,  
(2) certain covenants of the additional indebtedness are more onerous than the covenants set forth in the Credit Agreement, or  
(3) the additional indebtedness provides for amortization, mandatory prepayment or repurchases of senior unsecured or subordinated debt during the duration of the Credit Agreement with certain exceptions. The Credit Agreement also limits additional secured debt to 10% of our

consolidated net worth (i.e., the excess of our assets over the sum of our liabilities plus the minority interests). The Credit Agreement contains covenants which, among other things, require us and our subsidiaries, on a consolidated basis, to maintain specified ratios or conditions as follows (with such ratios tested at the end of each fiscal quarter): (1) total debt to EBITDA, as defined in the Credit Agreement, of not more than 3.0 to 1.0 and (2) EBITDA, as defined, to total interest expense of not less than 3.0 to 1.0. We were in compliance with all debt covenants under the amended and restated Credit Agreement as of March 31, 2009.

Under the Credit

Agreement, we are permitted to prepay our borrowings.

All of the obligations under the U.S. portion of the Credit Agreement are secured by first priority liens on substantially all of 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 Credit Agreement are guaranteed by substantially all of our U.S. subsidiaries. All of the obligations under the Canadian portions of the Credit Agreement are secured by first priority liens on substantially all of the assets of our subsidiaries. Additionally, all of the obligations under the

Canadian portions of the Credit Agreement are guaranteed by us as well as certain of our subsidiaries.

If an event of default exists under the Credit Agreement, as defined therein, the lenders may accelerate the maturity of the obligations outstanding under the Credit Agreement and exercise other rights and remedies. While an event of default is continuing, advances will bear interest at the then-applicable rate plus 2%.

Borrowings under the U.S. revolving facility bore interest at 1.8% and the Canadian revolving credit facility bore interest at rates ranging from 2.8% to 4.0%, or a weighted average of 3.0% at March 31, 2009. There were letters of credit

outstanding  
under the U.S.  
revolving  
portion of the  
facility totaling  
\$43,699, which  
reduced the  
available  
borrowing  
capacity as of  
March 31, 2009.

We incurred  
fees calculated  
at 1.25% of the  
total amount  
outstanding  
under letter of  
credit  
arrangements  
through  
March 31, 2009.

Our available  
borrowing  
capacity under  
the U.S. and  
Canadian  
revolving  
facilities at  
March 31, 2009  
was \$246,301  
and \$32,788,  
respectively.

- (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

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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. We can redeem 35% of these notes on

or before  
December 15,  
2009 using the  
proceeds of  
certain equity  
offerings.  
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 Securities  
and Exchange  
Commission  
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.

- (c) We issued subordinated seller notes totaling \$3,450 in 2004 related to certain business acquisitions. These notes bore interest at 6% and were to mature in March 2009. In March 2009, we repaid the outstanding principal associated with these note agreements totaling \$3,450 upon maturity.

**7. Stockholders equity:**

*(a) Stock-based Compensation Stock Options:*

We maintain option plans under which stock-based compensation can be granted to employees, officers and directors. Stock option grants under these plans have an exercise price based on the fair value of our common stock on the date of grant. These stock 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 account for our stock-based compensation awards pursuant to Statement of Financial Accounting Standards ( SFAS ) No. 123R, whereby we measure 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. We record stock compensation expense associated with our stock-based compensation awards pursuant to SFAS No. 123R in accordance with the transition guidance of that statement, as further described in our Annual Report on Form 10-K as of December 31, 2008.

Effective January 30, 2009, 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 1,287,008 shares of non-vested restricted stock on January 30, 2009 at a grant price of \$6.41 per share and 4,000 shares of non-vested restricted stock on March 16, 2009 at a grant price of \$2.64 per share. We expect to recognize compensation expense associated with these grants of non-vested restricted stock totaling \$8,260 ratably over the three-year vesting periods. In addition, we granted 905,300 stock options to purchase shares of our common stock at an exercise price of \$6.41 per share. These stock options vest ratably over a three-year period. We will recognize compensation expense associated with these stock option grants over the vesting period in accordance with SFAS No. 123R. The fair value of the stock options granted during the three months ended March 31, 2009 was determined by applying a Black-Scholes option pricing model based on the following assumptions:

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|                                  | <b>Three Months Ended<br/>March 31,<br/>2009</b> |
|----------------------------------|--------------------------------------------------|
| <b>Assumptions:</b>              |                                                  |
| Risk-free rate                   | 0.89% to 1.75%                                   |
| Expected term (in years)         | 2.2 to 5.1                                       |
| Volatility                       | 28.6%                                            |
| Calculated fair value per option | \$1.14 to \$1.84                                 |

We completed our initial public offering in April 2006. Prior to the second quarter of 2008, we did not have sufficient historical market data in order to determine the volatility of our common stock. In accordance with the provisions of SFAS No. 123R, we analyzed the market data of peer companies and calculated an average volatility factor based upon changes in the closing price of these companies' common stock for a three-year period. This volatility factor was then applied as a variable to determine the fair value of our stock options granted prior to the second quarter of 2008. For stock options granted during or after the second quarter of 2008, we calculated an average volatility factor for our common stock for the period from April 21, 2006 through the respective quarter end. These volatility calculations were then applied to compute the fair market value of stock option grants during the second quarter of 2008 and thereafter.

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 \$1,469 over the vesting period of these 2009 stock option grants. For the quarter ended March 31, 2009, we have recognized expense related to these stock option grants totaling \$82, which represents a reduction of net income before taxes. The impact on net loss for the quarter ended March 31, 2009 was an increase of \$62, with no impact on diluted earnings per share as reported. The unrecognized compensation costs related to the non-vested portion of these awards was \$1,387 as of March 31, 2009 and will be recognized over the applicable remaining vesting periods.

For the quarters ended March 31, 2009 and 2008, we recognized compensation expense associated with all stock option awards totaling \$1,338 and \$1,266, respectively, resulting in an increase in net loss of \$1,017 and a reduction in net income of \$810, respectively, and a \$0.01 reduction in diluted earnings per share for each of the quarters ended March 31, 2009 and 2008. Total unrecognized compensation expense associated with outstanding stock option awards at March 31, 2009 was \$4,617, or \$2,863, net of tax.

The following tables provide a roll forward of stock options from December 31, 2008 to March 31, 2009 and a summary of stock options outstanding by exercise price range at March 31, 2009:

|                              | <b>Options Outstanding</b> |                                                    |
|------------------------------|----------------------------|----------------------------------------------------|
|                              | <b>Number</b>              | <b>Weighted<br/>Average<br/>Exercise<br/>Price</b> |
| Balance at December 31, 2008 | 2,746,512                  | \$ 15.33                                           |
| Granted                      | 905,300                    | \$ 6.41                                            |
| Exercised                    | (12,514)                   | \$ 2.00                                            |
| Cancelled                    | (35,266)                   | \$23.45                                            |
| Balance at March 31, 2009    | 3,604,032                  | \$ 13.05                                           |

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| Range of Exercise Price | Options Outstanding                    |                                                      |                                          | Options Exercisable                    |                                                      |                                          |
|-------------------------|----------------------------------------|------------------------------------------------------|------------------------------------------|----------------------------------------|------------------------------------------------------|------------------------------------------|
|                         | Outstanding<br>at<br>March 31,<br>2009 | Weighted<br>Average<br>Remaining<br>Life<br>(months) | Weighted<br>Average<br>Exercise<br>Price | Exercisable<br>at<br>March 31,<br>2009 | Weighted<br>Average<br>Remaining<br>Life<br>(months) | Weighted<br>Average<br>Exercise<br>Price |
| \$2.00                  | 41,051                                 | 4                                                    | \$ 2.00                                  | 41,051                                 | 4                                                    | \$ 2.00                                  |
| \$4.48 \$4.80           | 59,262                                 | 11                                                   | \$ 4.78                                  | 59,262                                 | 11                                                   | \$ 4.78                                  |
| \$5.00                  | 127,865                                | 43                                                   | \$ 5.00                                  | 82,032                                 | 39                                                   | \$ 5.00                                  |
| \$6.41 \$8.16           | 1,509,533                              | 100                                                  | \$ 6.53                                  | 448,222                                | 71                                                   | \$ 6.69                                  |
| \$11.66                 | 288,755                                | 78                                                   | \$11.66                                  | 288,755                                | 78                                                   | \$11.66                                  |
| \$15.90                 | 345,000                                | 106                                                  | \$15.90                                  | 115,000                                | 94                                                   | \$15.90                                  |
| \$17.60 \$19.87         | 657,687                                | 94                                                   | \$19.83                                  | 398,007                                | 94                                                   | \$19.83                                  |
| \$22.55 \$24.07         | 472,879                                | 85                                                   | \$23.95                                  | 243,356                                | 85                                                   | \$23.95                                  |
| \$26.26 \$27.11         | 45,000                                 | 98                                                   | \$26.35                                  | 15,000                                 | 98                                                   | \$26.35                                  |
| \$29.88                 | 40,000                                 | 110                                                  | \$29.88                                  |                                        |                                                      |                                          |
| \$34.19                 | 17,000                                 | 111                                                  | \$34.19                                  |                                        |                                                      |                                          |
|                         | 3,604,032                              | 91                                                   | \$13.05                                  | 1,690,685                              | 76                                                   | \$13.66                                  |

The total intrinsic value of stock options exercised during the quarter ended March 31, 2009 was \$39. The total intrinsic value of all in-the-money vested outstanding stock options at March 31, 2009 was \$43. Assuming all stock options outstanding at March 31, 2009 were vested, the total intrinsic value of all in-the-money outstanding stock options would have been \$43.

*(b) Non-vested Restricted Stock:*

We recognize compensation expense associated with grants of non-vested restricted stock, based on the fair value of the shares on the date of grant, ratably over the applicable vesting periods. At March 31, 2009, amounts not yet recognized related to non-vested restricted stock totaled \$16,218, which represented the unamortized expense associated with awards of non-vested stock granted to employees, officers and directors under our compensation plans, including \$7,724 related to grants during the three months ended March 31, 2009. We recognized compensation expense associated with non-vested restricted stock totaling \$2,122 and \$921 for the quarters ended March 31, 2009 and 2008, respectively.

The following table summarizes the change in non-vested restricted stock from December 31, 2008 to March 31, 2009:

|                              | Non-vested<br>Restricted Stock |                                       |
|------------------------------|--------------------------------|---------------------------------------|
|                              | Number                         | Weighted<br>Average<br>Grant<br>Price |
| Balance at December 31, 2008 | 789,191                        | \$19.95                               |
| Granted                      | 1,291,008                      | \$ 6.40                               |
| Vested                       | (202,169)                      | \$21.64                               |
| Forfeited                    |                                |                                       |
| Balance at March 31, 2009    | 1,878,030                      | \$10.45                               |

*(c) Treasury Shares:*

In accordance with the provisions of the 2008 Incentive Award Plan, holders of unvested 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. On January 31, 2009, we purchased 10,662 shares of our \$0.01 par value common stock at a cost of \$68, or \$6.37 per share, pursuant to this provision. These shares were included as treasury stock at cost in the accompanying balance sheet as of March 31, 2009. We expect to purchase additional shares in the future pursuant to this plan provision.



**Table of Contents****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 SFAS No. 128, Earnings Per Share. The following table reconciles basic and diluted weighted average shares used in the computation of earnings per share for the quarters ended March 31, 2009 and 2008:

|                                                                         | <b>Quarter Ended</b>  |             |
|-------------------------------------------------------------------------|-----------------------|-------------|
|                                                                         | <b>March 31,</b>      |             |
|                                                                         | <b>2009</b>           | <b>2008</b> |
|                                                                         | <b>(In thousands)</b> |             |
| Weighted average basic common shares outstanding                        | 74,895                | 72,562      |
| Effect of dilutive securities:                                          |                       |             |
| Employee stock options                                                  |                       | 797         |
| Non-vested restricted stock                                             |                       | 353         |
| Weighted average diluted common and potential common shares outstanding | 74,895                | 73,712      |

For the three months ended March 31, 2009, we incurred a net loss 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, 2009 and 2008. If these potential common shares were included in the calculation, the impact would have been a decrease in diluted weighted average shares outstanding of 5,147,144 shares and 348,161 shares for the quarters ended March 31, 2009 and 2008, respectively.

**9. Discontinued operations:**

In May 2008, our Board of Directors authorized and committed to a plan to sell certain business assets located primarily in north Texas which included our product supply stores, certain drilling logistics assets and other completion and production services assets. Although this sale did not represent a material disposition of assets relative to our total assets as presented in the accompanying balance sheets, the disposal group did represent a significant portion of the assets and operations which were attributable to our product sales business segment for the periods presented, and therefore, was accounted for as a disposal group that is held for sale in accordance with SFAS No. 144,

Accounting for the Impairment or Disposal of Long-Lived Assets. We revised our financial statements, pursuant to SFAS No. 144, and reclassified the assets and liabilities of the disposal group as held for sale as of the date of each balance sheet presented and removed the results of operations of the disposal group from net income from continuing operations, and presented these separately as income from discontinued operations, net of tax, for each of the accompanying statements of operations. We ceased depreciating the assets of this disposal group in May 2008 and adjusted the net assets to the lower of carrying value or fair value less selling costs, which resulted in a pre-tax charge of approximately \$200. In addition, we allocated \$11,109 of goodwill associated with the original formation of Complete Production Services, Inc. to this business. Our company was formed from the combination of three entities under common control in September 2005, which resulted in goodwill of \$93,792. Of this amount, \$11,109 was deemed to be attributable to this disposal group and was impaired as of the date of the transaction. Thus, this amount has been included in the calculation of the loss on the sale of this disposal group.

On May 19, 2008, we completed the sale of the disposal group for \$50,150 in cash and we received assets with a fair market value of \$7,987. In addition, we retained the receivables and payables associated with the operating results of these entities as of the date of the sale. The carrying value of the related net assets was approximately \$51,353 on May 19, 2008, excluding allocated goodwill of \$11,109. We recorded a loss of \$6,935 associated with the sale of this disposal group, which represents the excess of the carrying value of the assets less selling costs over the sales price and a charge of approximately \$2,610 related to income tax on the transaction. The income tax on the disposal was primarily attributable to the \$11,109 of allocated goodwill which was non-deductible for tax purposes and resulted in

a taxable gain on the disposal. We sold this disposal group to Select Energy Services, L.L.C., an oilfield service company located in Gainesville, Texas which is owned by a former officer of one of our subsidiaries. Pursuant to the agreement, we sublet office space to Select Energy Services, L.L.C., and provide certain administrative functions for a period of one year at an agreed-upon rate for services per hour. Proceeds from the sale of this disposal group were used to repay outstanding borrowings under our U.S. revolving credit facility and for other general corporate purposes.

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The following table summarizes operating results for the disposal group for the three months ended March 31, 2008:

|                     | <b>Three<br/>Months<br/>Ended<br/>March 31,<br/>2008</b> |
|---------------------|----------------------------------------------------------|
| Revenue             | \$38,085                                                 |
| Income before taxes | \$ 3,457                                                 |
| Net income          | \$ 2,151                                                 |

**10. Segment information:**

SFAS No. 131, Disclosure About Segments of an Enterprise and Related Information, establishes standards for the reporting of information about operating segments, products and services, geographic areas, and major customers. The method of determining what information to report is based on the way our management organizes the operating segments for making operational decisions and assessing financial performance. We evaluate performance and allocate resources based on net income (loss) from continuing operations before net interest expense, taxes, depreciation and amortization, minority interest and impairment loss ( EBITDA ). The calculation of EBITDA should not be viewed as a substitute for calculations under U.S. GAAP, in particular net income. EBITDA calculated by us may not be comparable to the EBITDA calculation of another company.

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 unaudited consolidated financial statements as of March 31, 2009. Inter-segment transactions are accounted for on a cost recovery basis.

|                                     | <b>C&amp;PS</b> | <b>Drilling<br/>Services</b> | <b>Product<br/>Sales</b> | <b>Corporate</b> | <b>Total</b> |
|-------------------------------------|-----------------|------------------------------|--------------------------|------------------|--------------|
| <b>Quarter Ended March 31, 2009</b> |                 |                              |                          |                  |              |
| Revenue from external customers     | \$ 287,526      | \$ 35,391                    | \$ 13,764                | \$               | \$ 336,681   |
| Inter-segment revenues              | \$ 24           | \$ 285                       | \$ 807                   | \$ (1,116)       | \$           |
| EBITDA, as defined                  | \$ 66,224       | \$ 6,887                     | \$ 2,551                 | \$ (9,967)       | \$ 65,695    |
| Depreciation and amortization       | \$ 44,926       | \$ 5,548                     | \$ 634                   | \$ 581           | \$ 51,689    |
| Operating income (loss)             | \$ 21,298       | \$ 1,339                     | \$ 1,917                 | \$ (10,548)      | \$ 14,006    |
| Capital expenditures                | \$ 12,700       | \$                           | \$ 40                    | \$ 88            | \$ 12,828    |
| <b>As of March 31, 2009</b>         |                 |                              |                          |                  |              |
| Segment assets                      | \$ 1,513,228    | \$ 225,894                   | \$ 52,856                | \$ 65,424        | \$ 1,857,402 |
| <b>Quarter Ended March 31, 2008</b> |                 |                              |                          |                  |              |
| Revenue from external customers     | \$ 351,652      | \$ 53,311                    | \$ 12,215                | \$               | \$ 417,178   |
| Inter-segment revenues              | \$ 84           | \$ 105                       | \$ 6,039                 | \$ (6,228)       | \$           |
| EBITDA, as defined                  | \$ 112,176      | \$ 12,217                    | \$ 3,290                 | \$ (7,955)       | \$ 119,728   |
| Depreciation and amortization       | \$ 33,730       | \$ 4,416                     | \$ 546                   | \$ 559           | \$ 39,251    |
| Operating income (loss)             | \$ 78,446       | \$ 7,801                     | \$ 2,744                 | \$ (8,514)       | \$ 80,477    |
| Capital expenditures                | \$ 42,268       | \$ 8,471                     | \$ 345                   | \$ 248           | \$ 51,332    |

**As of December 31, 2008**

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|                |              |            |           |           |              |
|----------------|--------------|------------|-----------|-----------|--------------|
| Segment assets | \$ 1,639,399 | \$ 251,015 | \$ 52,048 | \$ 52,415 | \$ 1,994,877 |
|----------------|--------------|------------|-----------|-----------|--------------|

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The following table reconciles segment information for our business segments as originally reported for the three months ended March 31, 2008, to the information revised for discontinued operations:

| <b>Quarter Ended March 31, 2008</b>        | <b>Original<br/>Presentation</b> | <b>Discontinued<br/>Operations</b> | <b>Revised<br/>Presentation</b> |
|--------------------------------------------|----------------------------------|------------------------------------|---------------------------------|
| <b>Completion and production services:</b> |                                  |                                    |                                 |
| Revenue from external customers            | \$ 356,748                       | \$ 5,096                           | \$ 351,652                      |
| EBITDA, as defined                         | \$ 113,056                       | \$ 880                             | \$ 112,176                      |
| Depreciation and amortization              | 34,123                           | 393                                | 33,730                          |
| Operating income                           | \$ 78,933                        | \$ 487                             | \$ 78,446                       |
| <b>Drilling services:</b>                  |                                  |                                    |                                 |
| Revenue from external customers            | \$ 60,987                        | \$ 7,676                           | \$ 53,311                       |
| EBITDA, as defined                         | \$ 13,795                        | \$ 1,578                           | \$ 12,217                       |
| Depreciation and amortization              | 5,125                            | 709                                | 4,416                           |
| Operating income                           | \$ 8,670                         | \$ 869                             | \$ 7,801                        |
| <b>Product Sales:</b>                      |                                  |                                    |                                 |
| Revenue from external customers            | \$ 37,528                        | \$ 25,313                          | \$ 12,215                       |
| EBITDA, as defined                         | \$ 5,614                         | \$ 2,324                           | \$ 3,290                        |
| Depreciation and amortization              | 775                              | 229                                | 546                             |
| Operating income                           | \$ 4,839                         | \$ 2,095                           | \$ 2,744                        |

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 income (loss) from continuing operations for the quarters ended March 31, 2009 and 2008:

|                                              | <b>Quarters Ended<br/>March 31,</b> |             |
|----------------------------------------------|-------------------------------------|-------------|
|                                              | <b>2009</b>                         | <b>2008</b> |
| Segment operating income                     | \$ 14,006                           | \$ 80,477   |
| Interest expense                             | 14,458                              | 15,346      |
| Interest income                              | (10)                                | (56)        |
| Income taxes                                 | (106)                               | 23,412      |
| Net income (loss) from continuing operations | \$ (336)                            | \$ 41,775   |

Changes in the carrying amount of goodwill by segment for the three months ended March 31, 2009 are summarized below:

|                              | <b>C&amp;PS</b> | <b>Drilling<br/>Services</b> | <b>Product<br/>Sales</b> | <b>Total</b> |
|------------------------------|-----------------|------------------------------|--------------------------|--------------|
| Balance at December 31, 2008 | \$ 333,628      | \$ 5,563                     | \$ 2,401                 | \$ 341,592   |

|                                  |            |          |          |            |
|----------------------------------|------------|----------|----------|------------|
| Contingency adjustment and other | (80)       |          |          | (80)       |
| Balance at March 31, 2009        | \$ 333,548 | \$ 5,563 | \$ 2,401 | \$ 341,512 |

(a) The contingency adjustment represents a reclassification of costs associated with a prior year acquisition, with no impact on net income as previously reported.

**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.

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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:**

On December 6, 2006, we issued 8.0% Senior Notes at a face value of \$650,000 in a private placement transaction. On June 1, 2007, we filed a registration statement on Form S-4 with the SEC to register these 8.0% Senior Notes and became subject to the disclosure requirements of SEC Regulation S-X Rule 3-10(f). 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, 2009 and December 31, 2008; (2) unaudited condensed consolidating statements of operations for the three months ended March 31, 2009 and 2008; and (3) unaudited condensed consolidating statements of cash flows for the three months ended March 31, 2009 and 2008.

**Condensed Consolidating Balance Sheet**  
**March 31, 2009**

|                                            | <b>Parent</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-guarantor<br/>Subsidiaries</b> | <b>Eliminations/<br/>Reclassifications</b> | <b>Consolidated</b> |
|--------------------------------------------|---------------|-----------------------------------|---------------------------------------|--------------------------------------------|---------------------|
| Current assets                             |               |                                   |                                       |                                            |                     |
| Cash and cash equivalents                  | \$ 23,468     | \$ 1,292                          | \$ 6,380                              | \$ (6,362)                                 | \$ 24,778           |
| Trade accounts receivable, net             | 994           | 208,786                           | 31,965                                |                                            | 241,745             |
| Inventory, net                             |               | 40,130                            | 14,560                                |                                            | 54,690              |
| Prepaid expenses                           | 1,210         | 13,062                            | 1,102                                 |                                            | 15,374              |
| Tax receivable                             | 26,788        |                                   | 672                                   |                                            | 27,460              |
| Total current assets                       | 52,460        | 263,270                           | 54,679                                | (6,362)                                    | 364,047             |
| Property, plant and equipment,<br>net      | 4,709         | 1,054,153                         | 55,340                                |                                            | 1,114,202           |
| Investment in consolidated<br>subsidiaries | 903,598       | 88,611                            |                                       | (992,209)                                  |                     |
| Inter-company receivable                   | 718,394       |                                   | 81                                    | (718,475)                                  |                     |
| Goodwill                                   | 55,473        | 283,181                           | 2,858                                 |                                            | 341,512             |
| Other long-term assets, net                | 13,946        | 20,403                            | 3,292                                 |                                            | 37,641              |
| Total assets                               | \$ 1,748,580  | \$ 1,709,618                      | \$ 116,250                            | \$ (1,717,046)                             | \$ 1,857,402        |
| Current liabilities                        |               |                                   |                                       |                                            |                     |
| Current maturities of<br>long-term debt    | \$            | \$ 313                            | \$ 11                                 | \$                                         | \$ 324              |
| Accounts payable                           | 565           | 27,384                            | 8,785                                 | (6,362)                                    | 30,372              |
| Accrued liabilities                        | 16,266        | 17,280                            | 8,179                                 |                                            | 41,725              |
| Accrued payroll and payroll<br>burdens     | 1,559         | 17,017                            | 1,103                                 |                                            | 19,679              |
| Accrued interest                           | 16,030        |                                   | 40                                    |                                            | 16,070              |
| Current deferred tax liabilities           | 1,435         |                                   |                                       |                                            | 1,435               |
| Total current liabilities                  | 35,855        | 61,994                            | 18,118                                | (6,362)                                    | 109,605             |
| Long-term debt                             | 720,000       | 195                               | 7,225                                 |                                            | 727,420             |
| Inter-company payable                      |               | 718,475                           |                                       | (718,475)                                  |                     |
| Deferred income taxes                      | 121,805       | 25,356                            | 2,296                                 |                                            | 149,457             |

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|                                            |              |              |            |                |              |
|--------------------------------------------|--------------|--------------|------------|----------------|--------------|
| Total liabilities                          | 877,660      | 806,020      | 27,639     | (724,837)      | 986,482      |
| Stockholders' equity                       |              |              |            |                |              |
| Total stockholders' equity                 | 870,920      | 903,598      | 88,611     | (992,209)      | 870,920      |
| Total liabilities and stockholders' equity | \$ 1,748,580 | \$ 1,709,618 | \$ 116,250 | \$ (1,717,046) | \$ 1,857,402 |



**Table of Contents****Condensed Consolidating Balance Sheet  
December 31, 2008**

|                                                   | <b>Parent</b>       | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-guarantor<br/>Subsidiaries</b> | <b>Eliminations/<br/>Reclassifications</b> | <b>Consolidated</b> |
|---------------------------------------------------|---------------------|-----------------------------------|---------------------------------------|--------------------------------------------|---------------------|
| <b>Current assets</b>                             |                     |                                   |                                       |                                            |                     |
| Cash and cash equivalents                         | \$ 25,399           | \$ 936                            | \$ 5,078                              | \$ (12,323)                                | \$ 19,090           |
| Trade accounts receivable, net                    | 201                 | 312,591                           | 30,561                                |                                            | 343,353             |
| Inventory, net                                    |                     | 28,051                            | 13,840                                |                                            | 41,891              |
| Prepaid expenses                                  | 1,060               | 19,375                            | 1,037                                 |                                            | 21,472              |
| Tax receivable                                    | 21,021              | 307                               |                                       |                                            | 21,328              |
| <b>Total current assets</b>                       | <b>47,681</b>       | <b>361,260</b>                    | <b>50,516</b>                         | <b>(12,323)</b>                            | <b>447,134</b>      |
| Property, plant and equipment, net                | 4,956               | 1,097,241                         | 64,256                                |                                            | 1,166,453           |
| Investment in consolidated subsidiaries           | 937,773             | 88,669                            |                                       | (1,026,442)                                |                     |
| Inter-company receivable                          | 784,125             | (502)                             |                                       | (783,623)                                  |                     |
| Goodwill                                          | 55,354              | 283,657                           | 2,581                                 |                                            | 341,592             |
| Other long-term assets, net                       | 14,009              | 22,163                            | 3,526                                 |                                            | 39,698              |
| <b>Total assets</b>                               | <b>\$ 1,843,898</b> | <b>\$ 1,852,488</b>               | <b>\$ 120,879</b>                     | <b>\$ (1,822,388)</b>                      | <b>\$ 1,994,877</b> |
| <b>Current liabilities</b>                        |                     |                                   |                                       |                                            |                     |
| <b>Current maturities of long-term debt</b>       |                     |                                   |                                       |                                            |                     |
| Accounts payable                                  | \$ 2,201            | \$ 3,792                          | \$ 11                                 | \$ (12,323)                                | \$ 3,803            |
| Accrued liabilities                               | 13,422              | 59,052                            | 8,553                                 |                                            | 57,483              |
| Accrued payroll and payroll burdens               | 5,362               | 17,916                            | 6,247                                 |                                            | 37,585              |
| Accrued interest                                  | 2,704               | 22,960                            | 2,971                                 |                                            | 31,293              |
| Notes payable                                     | 2,704               |                                   | 50                                    |                                            | 2,754               |
| Taxes payable                                     | 1,353               |                                   |                                       |                                            | 1,353               |
| Taxes payable                                     | (1,900)             |                                   | 1,900                                 |                                            |                     |
| Current deferred tax liabilities                  |                     | 1,289                             |                                       |                                            | 1,289               |
| <b>Total current liabilities</b>                  | <b>23,142</b>       | <b>105,009</b>                    | <b>19,732</b>                         | <b>(12,323)</b>                            | <b>135,560</b>      |
| Long-term debt                                    | 836,000             | 299                               | 7,543                                 |                                            | 843,842             |
| Inter-company payable                             |                     | 784,125                           | (502)                                 | (783,623)                                  |                     |
| Deferred tax liabilities                          | 115,641             | 25,281                            | 5,437                                 |                                            | 146,359             |
| <b>Total liabilities</b>                          | <b>974,783</b>      | <b>914,714</b>                    | <b>32,210</b>                         | <b>(795,946)</b>                           | <b>1,125,761</b>    |
| Stockholders' equity                              |                     |                                   |                                       |                                            |                     |
| Total stockholders' equity                        | 869,115             | 937,774                           | 88,669                                | (1,026,442)                                | 869,116             |
| <b>Total liabilities and stockholders' equity</b> | <b>\$ 1,843,898</b> | <b>\$ 1,852,488</b>               | <b>\$ 120,879</b>                     | <b>\$ (1,822,388)</b>                      | <b>\$ 1,994,877</b> |

**Condensed Consolidated Statement of Operations**  
**Three Months Ended March 31, 2009**

|                                                                   | <b>Parent</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-guarantor<br/>Subsidiaries</b> | <b>Eliminations/<br/>Reclassifications</b> | <b>Consolidated</b> |
|-------------------------------------------------------------------|---------------|-----------------------------------|---------------------------------------|--------------------------------------------|---------------------|
| Revenue:                                                          |               |                                   |                                       |                                            |                     |
| Service                                                           | \$            | \$ 291,407                        | \$ 32,667                             | \$ (1,157)                                 | \$ 322,917          |
| Product                                                           |               | 3,983                             | 9,781                                 |                                            | 13,764              |
|                                                                   |               | 295,390                           | 42,448                                | (1,157)                                    | 336,681             |
| Service expenses                                                  |               | 189,611                           | 22,759                                | (1,157)                                    | 211,213             |
| Product expenses                                                  |               | 3,337                             | 7,158                                 |                                            | 10,495              |
| Selling, general and<br>administrative expenses.                  | 9,966         | 30,839                            | 8,473                                 |                                            | 49,278              |
| Depreciation and amortization                                     | 391           | 47,712                            | 3,586                                 |                                            | 51,689              |
| Income from continuing<br>operations before interest and<br>taxes | (10,357)      | 23,891                            | 472                                   |                                            | 14,006              |
| Interest expense                                                  | 14,547        | 1,905                             | 57                                    | (2,051)                                    | 14,458              |
| Interest income                                                   | (2,057)       | (2)                               | (2)                                   | 2,051                                      | (10)                |
| Equity in earnings of<br>consolidated affiliates                  | (14,787)      | (832)                             |                                       | 15,619                                     |                     |
| Loss from continuing<br>operations before taxes                   | (8,060)       | 22,820                            | 417                                   | (15,619)                                   | (442)               |
| Taxes                                                             | (7,724)       | 8,033                             | (415)                                 |                                            | (106)               |
| Net income (loss)                                                 | \$ (336)      | \$ 14,787                         | \$ 832                                | \$ (15,619)                                | \$ (336)            |

**Table of Contents****Condensed Consolidated Statement of Operations  
Three Months Ended March 31, 2008**

|                                                                   | <b>Parent</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-guarantor<br/>Subsidiaries</b> | <b>Eliminations/<br/>Reclassifications</b> | <b>Consolidated</b> |
|-------------------------------------------------------------------|---------------|-----------------------------------|---------------------------------------|--------------------------------------------|---------------------|
| Revenue:                                                          |               |                                   |                                       |                                            |                     |
| Service                                                           | \$            | \$ 364,234                        | \$ 41,821                             | (1,092)                                    | \$ 404,963          |
| Product                                                           |               | 635                               | 11,580                                |                                            | 12,215              |
|                                                                   |               | 364,869                           | 53,401                                | (1,092)                                    | 417,178             |
| Service expenses                                                  |               | 217,437                           | 28,642                                | (1,092)                                    | 244,987             |
| Product expenses                                                  |               | 432                               | 7,388                                 |                                            | 7,820               |
| Selling, general and<br>administrative expenses                   | 7,956         | 32,747                            | 3,940                                 |                                            | 44,643              |
| Depreciation and amortization                                     | 322           | 36,128                            | 2,801                                 |                                            | 39,251              |
| Income from continuing<br>operations before interest and<br>taxes | (8,278)       | 78,125                            | 10,630                                |                                            | 80,477              |
| Interest expense                                                  | 16,190        | 2,762                             | 178                                   | (3,784)                                    | 15,346              |
| Interest income                                                   | (3,800)       | 8                                 | (48)                                  | 3,784                                      | (56)                |
| Equity in earnings of<br>consolidated affiliates                  | (54,319)      | (7,209)                           |                                       | 61,528                                     |                     |
| Income from continuing<br>operations before taxes                 | 33,651        | 82,564                            | 10,500                                | (61,528)                                   | 65,187              |
| Taxes                                                             | (10,275)      | 30,396                            | 3,291                                 |                                            | 23,412              |
| Income from continuing<br>operations                              | 43,926        | 52,168                            | 7,209                                 | (61,528)                                   | 41,775              |
| Income from discontinued<br>operations (net of tax)               |               | 2,151                             |                                       |                                            | 2,151               |
| Net income (loss)                                                 | \$ 43,926     | \$ 54,319                         | \$ 7,209                              | \$ (61,528)                                | \$ 43,926           |

**Condensed Consolidated Statement of Cash Flows  
Three Months Ended March 31, 2009**

|                                                                  | <b>Parent</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-guarantor<br/>Subsidiaries</b> | <b>Eliminations/<br/>Reclassifications</b> | <b>Consolidated</b> |
|------------------------------------------------------------------|---------------|-----------------------------------|---------------------------------------|--------------------------------------------|---------------------|
| Cash provided by:                                                |               |                                   |                                       |                                            |                     |
| Net income (loss)                                                | \$ (336)      | \$ 14,787                         | \$ 832                                | \$ (15,619)                                | \$ (336)            |
| Items not affecting cash:                                        |               |                                   |                                       |                                            |                     |
| Equity in earnings of<br>consolidated affiliates                 | (14,787)      | (832)                             |                                       | 15,619                                     |                     |
| Depreciation and amortization                                    | 391           | 47,712                            | 3,586                                 |                                            | 51,689              |
| Other                                                            | 3,914         | 5,151                             | 6,385                                 |                                            | 15,450              |
| Changes in operating assets and<br>liabilities, net of effect of | 60,622        | 7,999                             | (9,029)                               | 5,961                                      | 65,553              |

## acquisitions

|                                                      |           |          |          |            |           |
|------------------------------------------------------|-----------|----------|----------|------------|-----------|
| Net cash provided by operating activities            | 49,804    | 74,817   | 1,774    | 5,961      | 132,356   |
| Investing activities:                                |           |          |          |            |           |
| Additions to property, plant and equipment           | (88)      | (11,754) | (986)    |            | (12,828)  |
| Inter-company receipts                               | 65,731    |          | 421      | (66,152)   |           |
| Proceeds from the disposal of capital assets         |           | 7,066    | 90       |            | 7,156     |
| Net cash provided by (used for) investing activities | 65,643    | (4,688)  | (475)    | (66,152)   | (5,672)   |
| Financing activities:                                |           |          |          |            |           |
| Issuances of long-term debt                          | 1,641     |          | 1,505    |            | 3,146     |
| Repayments of long-term debt                         | (117,638) | (3,621)  | (1,788)  |            | (123,047) |
| Repayments of notes payable                          | (1,353)   |          |          |            | (1,353)   |
| Inter-company borrowings                             |           | (66,152) |          | 66,152     |           |
| Proceeds from issuances of common stock              | 25        |          |          |            | 25        |
| Other                                                | (53)      |          |          |            | (53)      |
| Net cash provided by (used in) financing activities  | (117,378) | (69,773) | (283)    | 66,152     | (121,282) |
| Effect of exchange rate changes on cash              |           |          | 286      |            | 286       |
| Change in cash and cash equivalents                  | (1,931)   | 356      | 1,302    | 5,961      | 5,688     |
| Cash and cash equivalents, beginning of period       | 25,399    | 936      | 5,078    | (12,323)   | 19,090    |
| Cash and cash equivalents, end of period             | \$ 23,468 | \$ 1,292 | \$ 6,380 | \$ (6,362) | \$ 24,778 |

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**Condensed Consolidated Statement of Cash Flows  
For the Three Months Ended March 31, 2008**

|                                                                                  | <b>Parent</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-<br/>guarantor<br/>Subsidiaries<br/>(in<br/>thousands)</b> | <b>Eliminations/<br/>Reclassifications</b> | <b>Consolidated</b> |
|----------------------------------------------------------------------------------|---------------|-----------------------------------|-------------------------------------------------------------------|--------------------------------------------|---------------------|
| Cash provided by:                                                                |               |                                   |                                                                   |                                            |                     |
| Net income                                                                       | \$ 43,926     | \$ 54,319                         | \$ 7,209                                                          | \$ (61,528)                                | \$ 43,926           |
| Items not affecting cash:                                                        |               |                                   |                                                                   |                                            |                     |
| Equity in earnings of<br>consolidated affiliates                                 | (54,319)      | (7,209)                           |                                                                   | 61,528                                     |                     |
| Depreciation and amortization                                                    | 322           | 37,459                            | 2,801                                                             |                                            | 40,582              |
| Other                                                                            | 2,152         | 14,390                            | 765                                                               |                                            | 17,307              |
| Changes in operating assets and<br>liabilities, net of effect of<br>acquisitions | 42,513        | (50,387)                          | (14,225)                                                          | (3,832)                                    | (25,931)            |
| Net cash provided by (used in)<br>operating activities                           | 34,594        | 48,572                            | (3,450)                                                           | (3,832)                                    | 75,884              |
| Investing activities:                                                            |               |                                   |                                                                   |                                            |                     |
| Business acquisitions                                                            |               | (9,309)                           |                                                                   |                                            | (9,309)             |
| Additions to property, plant and<br>equipment                                    | (248)         | (47,108)                          | (3,976)                                                           |                                            | (51,332)            |
| Inter-company advances                                                           | (2,806)       |                                   |                                                                   | 2,806                                      |                     |
| Other                                                                            |               | 3,357                             | 42                                                                |                                            | 3,399               |
| Net cash used for investing<br>activities                                        | (3,054)       | (53,060)                          | (3,934)                                                           | 2,806                                      | (57,242)            |
| Financing activities:                                                            |               |                                   |                                                                   |                                            |                     |
| Issuances of long-term debt                                                      | 95,535        |                                   | 5,997                                                             |                                            | 101,532             |
| Repayments of long-term debt                                                     | (115,534)     | (369)                             | (999)                                                             |                                            | (116,902)           |
| Repayments of notes payable                                                      | (7,910)       |                                   |                                                                   |                                            | (7,910)             |
| Inter-company borrowings<br>(repayments)                                         |               | 3,077                             | (271)                                                             | (2,806)                                    |                     |
| Proceeds from issuances of<br>common stock                                       | 570           |                                   |                                                                   |                                            | 570                 |
| Other                                                                            | 505           |                                   |                                                                   |                                            | 505                 |
| Net cash provided by financing<br>activities                                     | (26,834)      | 2,708                             | 4,727                                                             | (2,806)                                    | (22,205)            |
| Effect of exchange rate changes<br>on cash                                       |               |                                   | 368                                                               |                                            | 368                 |
| Change in cash and cash<br>equivalents                                           | 4,706         | (1,780)                           | (2,289)                                                           | (3,832)                                    | (3,195)             |

|                                                   |           |          |          |             |           |
|---------------------------------------------------|-----------|----------|----------|-------------|-----------|
| Cash and cash equivalents,<br>beginning of period | 8,217     | 5,606    | 6,605    | (6,747)     | 13,681    |
| Cash and cash equivalents, end<br>of period       | \$ 12,923 | \$ 3,826 | \$ 4,316 | \$ (10,579) | \$ 10,486 |

### 13. Retirement Plans:

Effective January 1, 2009, we adopted and established the Complete Production Services, Inc. Deferred Compensation Plan, whereby eligible participants, including members of senior management, directors and certain highly-compensated individuals, could defer up to 90% of their compensation and up to 90% of the employees' annual incentive bonus, or, 100% of director compensation for services rendered, into various investment options pre-tax. For amounts deferred, we will match the contribution dollar-for-dollar up to four percent of compensation minus \$10, and we may make other discretionary contributions pursuant to resolutions of this plan's administrative committee. Participants immediately vest in amounts deferred as well as any matching or discretionary contributions we make. Participants bear the risk of loss associated with investment gains or losses. We intend that this plan will meet all the requirements necessary to be a nonqualified, unfunded, unsecured plan of deferred compensation within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended. For the quarter ended March 31, 2009, we expensed \$10 of matching contributions associated with this deferred compensation plan.

In response to current market conditions, we announced to our employees in February 2009 that we will be suspending matching contributions to our 401(k) plans and deferred compensation plan beginning in May 2009, until further notification.

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**14. Recent accounting pronouncements and authoritative literature:**

In December 2007, the FASB revised SFAS No. 141, *Business Combinations* which will replace that pronouncement in its entirety. While the revised statement will retain the fundamental requirements of SFAS No. 141, it will also require that all assets and liabilities and non-controlling interests of an acquired business be measured at their fair value, with limited exceptions, including the recognition of acquisition-related costs and anticipated restructuring costs separate from the acquired net assets. In addition, the statement provides guidance for recognizing pre-acquisition contingencies and states that an acquirer must recognize assets and liabilities assumed arising from contractual contingencies as of the acquisition date, measured at acquisition-date fair values, but must recognize all other contractual contingencies as of the acquisition date, measured at their acquisition-date fair values only if it is more likely than not that these contingencies meet the definition of an asset or liability in FASB Concepts Statement No. 6, *Elements of Financial Statements*. Furthermore, this statement provides guidance for measuring goodwill and recording a bargain purchase, defined as a business combination in which total acquisition-date fair value of the identifiable net assets acquired exceeds the fair value of the consideration transferred plus any non-controlling interest in the acquiree, and it requires that the acquirer recognize that excess in earnings as a gain attributable to the acquirer. This statement became effective on January 1, 2009 and must be applied prospectively. We adopted SFAS No. 141R on January 1, 2009 with no impact on our financial position, results of operations and cash flows.

In September 2008, the FASB issued an FSP No. FAS 144-d, *Amending the Criteria for Reporting a Discontinued Operation*, which clarifies the definition of a discontinued operation as either: (1) a component of an entity which has been disposed of or classified as held for sale which meets the criteria of an operating segment as defined under SFAS No. 131, or (2) as a business, as such term is defined in SFAS No. 141R which becomes effective on January 1, 2009, which meets the criteria to be classified as held for sale on acquisition. This proposed guidance further modifies certain disclosure requirements. We are currently evaluating the effect this proposed guidance may have on our financial position, results of operations and cash flows.

In January 2009, the FASB issued FSP No. FAS 107-b and APB 28-a, which would amend SFAS No. 107, *Disclosures About Fair Value of Financial Instruments* and APB Opinion No. 28, *Interim Financial Reporting*, to require disclosure of the fair value of financial instruments in interim financial statements as well as annual financial statements. In addition, entities would be required to disclose the method and significant assumptions used to estimate the fair value of financial instruments. This guidance becomes effective for interim and annual periods ending after June 15, 2009. We are currently evaluating the effect this proposed guidance may have on our financial position, results of operations and cash flows.

**15. Subsequent Events:**

On October 8, 2008, our former senior vice president and chief financial officer announced his retirement from Complete effective October 15, 2008. In connection with the retirement, we entered into an agreement with this former officer to pay a lump sum payment of \$1,043, plus a 2008 bonus payment and certain other payroll benefits. In addition, we accelerated vesting as of October 15, 2008 of 63,899 outstanding unvested stock options and 45,754 outstanding unvested shares of restricted stock held by the former officer, and extended the exercise period for 63,900 outstanding stock options from January 15, 2009 to October 15, 2009. On April 16, 2009, we paid \$1,526 in settlement of our obligations pursuant to this retirement agreement.

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements and information in this Quarterly Report on Form 10-Q may constitute forward-looking statements within the meaning of the Private Securities Litigation Act of 1995. These forward-looking statements are based on our current expectations, assumptions, estimates and projections about us and the oil and gas industry. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. These forward-looking statements involve risks and uncertainties that may be outside of our control and could cause actual results to differ materially from those in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to: market prices for oil and gas, the level of oil and gas drilling, economic and competitive conditions, capital expenditures, regulatory changes and other uncertainties. Other factors that could cause our actual results to differ from our projected results are described in: (1) Part II, Item 1A. Risk Factors and elsewhere in this report, (2) our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, (3) our reports and registration statements filed from time to time with the SEC and (4) other announcements we make from time to time. In light of these risks, uncertainties and assumptions, the forward-looking events discussed below may not occur. Unless otherwise required by law, we undertake no obligation to update publicly any forward-looking statements, even if new information becomes available or other events occur in the future.

The words believe, may, estimate, continue, anticipate, intend, plan, expect and similar expressions identify forward-looking statements. All statements other than statements of current or historical fact contained in this Quarterly Report on Form 10-Q are forward-looking statements.

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

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The following discussion and analysis should be read in conjunction with the accompanying unaudited consolidated financial statements and related notes as of March 31, 2009 and for the quarters ended March 31, 2009 and 2008, included elsewhere herein.

**Overview**

We are a leading provider of specialized services and products focused on helping oil and gas companies develop hydrocarbon reserves, reduce operating costs and enhance production. We focus on basins within North America that we believe have attractive long-term potential for growth, and we deliver targeted, value-added services and products required by our customers within each specific basin. We believe our range of services and products positions us to meet the many needs of our customers at the wellsite, from drilling and completion through production and eventual abandonment. We manage our 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.

We operate in three business segments:

**Completion and Production Services.** Through our completion and production services segment, we establish, maintain and enhance the flow of oil and gas throughout the life of a well. This segment is divided into the following primary service lines:

*Intervention Services.* Well intervention requires the use of specialized equipment to perform an array of wellbore services. Our fleet of intervention service equipment includes coiled tubing units, pressure pumping units, nitrogen units, well service rigs, snubbing units and a variety of support equipment. Our intervention services provide customers with innovative solutions to increase production of oil and gas.

*Downhole and Wellsite Services.* Our downhole and wellsite services include electric-line, slickline, production optimization, production testing, rental and fishing services. We also offer several proprietary services and products that we believe create significant value for our customers.

*Fluid Handling.* We provide a variety of services to help our customers obtain, move, store and dispose of fluids that are involved in the development and production of their reservoirs. Through our fleet of specialized trucks, frac tanks and other assets, we provide fluid transportation, heating, pumping and disposal services for our



customers.

**Drilling Services.** Through our drilling services segment, we provide services and equipment that initiate or stimulate oil and gas production by providing land drilling, specialized rig logistics and site preparation throughout our service area. Our drilling rigs primarily operate in and around the Barnett Shale region of north Texas.

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**Product Sales.** We provide oilfield service equipment and refurbishment of used equipment through our Southeast Asian business, and we provide repair work and fabrication services for our customers at a business located in Gainesville, Texas.

Substantially all service and rental revenue we earn is based upon a charge for a period of time (an hour, a day, a week) for the actual period of time the service or rental is provided to our customer or on a fixed per-stage-completed fee. Product sales are recorded when the actual sale occurs and title or ownership passes to the customer.

**General**

The primary factor influencing demand for our services and products is the level of drilling complexity and workover activity of our customers, which in turn, depends on current and anticipated future oil and gas prices, production depletion rates and the resultant levels of cash flows generated and allocated by our customers to their drilling and workover budgets. As a result, demand for our services and products is cyclical, substantially depends on activity levels in the North American oil and gas industry and is highly sensitive to current and expected oil and natural gas prices.

We consider the drilling and well service rig counts to be an indication of spending by our customers in the oil and gas industry for exploration and development of new and existing hydrocarbon reserves. These spending levels are a primary driver of our business, and we believe that our customers tend to invest more in these activities when oil and gas prices are at higher levels or are increasing. The following tables summarize average North American drilling and well service rig activity, as measured by Baker Hughes Incorporated ( BHI ) and the Cameron International Corporation/Guiberson/AESC Well Service Rig Count for Active Rigs, formerly the Weatherford/AESC Service Rig Count for Active Rigs.

**AVERAGE RIG COUNTS**

|                              | <b>Quarter<br/>Ended<br/>3/31/09</b> | <b>Quarter<br/>Ended<br/>3/31/08</b> | <b>Year<br/>Ended<br/>12/31/08</b> |
|------------------------------|--------------------------------------|--------------------------------------|------------------------------------|
| <b>BHI Rotary Rig Count:</b> |                                      |                                      |                                    |
| U.S. Land                    | 1,287                                | 1,712                                | 1,814                              |
| U.S. Offshore                | 57                                   | 58                                   | 65                                 |
| Total U.S                    | 1,344                                | 1,770                                | 1,879                              |
| Canada                       | 332                                  | 516                                  | 382                                |
| Total North America          | 1,676                                | 2,286                                | 2,261                              |

Source: BHI  
([www.BakerHughes.com](http://www.BakerHughes.com).)

|                                                          | <b>Quarter<br/>Ended<br/>3/31/09</b> | <b>Quarter<br/>Ended<br/>3/31/08</b> | <b>Year<br/>Ended<br/>12/31/08</b> |
|----------------------------------------------------------|--------------------------------------|--------------------------------------|------------------------------------|
| <b>Weatherford/AESC Service Rig Count (Active Rigs):</b> |                                      |                                      |                                    |
| United States                                            | 1,975                                | 2,463                                | 2,515                              |
| Canada                                                   | 548                                  | 716                                  | 686                                |
| Total North America                                      | 2,523                                | 3,179                                | 3,201                              |

Source: Cameron International  
Corporation/Guiberson/AESC  
Well Service Rig Count for  
Active Rigs, formerly the  
Weatherford/AESC Service  
Rig Count for Active Rigs.

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**Outlook**

Since our initial public offering, which became effective in April 2006, our growth strategy has been focused on internal growth in the basins in which we currently operate, as we sought to maximize our equipment utilization, add additional like-kind equipment and expand service and product offerings. In addition, we have sought new basins in which to replicate this approach and augmented our internal growth with strategic acquisitions. During the fourth quarter of 2008, we noticed a decline in drilling and exploration expenditures by our customers following the significant decline in oil and gas commodity prices, as well as an overall decline in the general U.S. economy, which included tighter debt and equity markets and reduced availability of credit for investment by our customers. For the first quarter of 2009, we have decreased our level of internal capital investment compared to the prior quarter, as well as compared to the same period in the prior year, and have implemented certain cost-saving measures including headcount reductions, while remaining responsive to our customers' needs for quality services. Our short-term strategy is to focus on cost savings, increase operating cash flow and maintain our financing relationships to manage our debt levels, while we continue to evaluate market trends in the oil and gas industry and remain in communication with our customers to ensure that we continue to provide quality service.

*Internal Capital Investment.* Our internal expansion activities have generally consisted of adding equipment and qualified personnel in locations where we have established a presence. We have grown our operations in many of these locations by expanding services to current customers, attracting new customers and hiring personnel with local basin-level expertise and leadership recognition. Depending on customer demand, we will consider adding equipment to further increase the capacity of services currently being provided and/or add equipment to expand the services we provide. In response to the current market conditions, we have reduced our capital investment for the first quarter of 2009 to \$12.8 million, as compared to \$51.3 million for the same period in 2008. Our significant investment in capital equipment in recent years has resulted in a relatively newer fleet than many of our competitors. Therefore, we expect our capital investment requirements for maintenance capital to be relatively insignificant during fiscal 2009.

*External Growth.* We use strategic acquisitions as an integral part of our growth strategy. We consider acquisitions that will add to our service offerings in a current operating area or that will expand our geographical footprint into a targeted basin. We have completed several acquisitions in recent years. These acquisitions affect our operating performance period to period. Accordingly, comparisons of revenue and operating results are not necessarily comparable and should not be relied upon as indications of future performance. We have not invested cash consideration in new business acquisitions during the first quarter of 2009 as we assess current market conditions, but we intend to continue to evaluate acquisition opportunities that are beneficial to our long-term strategic goals, while considering short-term objectives to maximize cash flow and maintain our market share.

Natural gas prices have declined from 2008 levels and rotary rig counts have recently declined. These changes are likely the result of a number of macro-economic factors, such as an excess supply of natural gas, lower demand for oil and gas, market expectations of weather conditions and the utilization of heating fuels, the cyclical nature of the oil and gas industry and other general market conditions for the U.S. economy, including the current global financial crisis, which has contributed to significant reductions in available capital and liquidity from banks and other providers of credit. Consistent with these trends, we have experienced a significant decline in utilization of our assets and pricing for our products and services during late 2008 and thus far in 2009, and we anticipate that lower commodity prices and activity levels will continue to adversely impact our results due to pricing pressure and lower utilization rates throughout 2009. We recorded non-cash impairment charges of \$272.0 million and \$13.1 million at December 31, 2008 and 2007, respectively. If market conditions continue to deteriorate, we may be required to record future impairment charges related to goodwill and other long-term assets. Although we cannot determine the depth or duration of the decline in activity in the oil and gas industry, we believe the overall long-term outlook for North American oilfield activity and our business remains favorable, especially in the basins in which we operate. However,

we believe that natural gas commodity prices will remain relatively low for the duration of 2009.

We, and many of our competitors, have invested in new equipment in recent years. As more of this equipment is available to be placed into service and oilfield activities decline, there will be excess capacity in the industry, which has and will likely continue to negatively impact our utilization rates and pricing for

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certain service offerings. Our equipment fleet is relatively new, as we have made significant investments in new equipment over the past few years. We continue to monitor our equipment utilization and poll our customers to assess demand levels. As equipment enters the marketplace or competition for existing customers increases, we believe our customers will rely upon service providers with local knowledge and expertise, which we believe we have and which constitutes a fundamental aspect of our strategy.

### **Recent Transactions**

On April 15, 2008, we acquired all the outstanding common stock of Frac Source Services, Inc., a provider of pressure pumping services to customers in the Barnett Shale of north Texas, for \$62.4 million in cash, net of cash acquired, which includes a working capital adjustment of \$1.6 million and recorded goodwill of \$15.4 million. Upon closing this transaction, we entered into a contract with one of our major customers to provide pressure pumping services in the Barnett Shale utilizing three frac fleets under a contract with a term that extends up to three years from the date each fleet is placed into service. We spent an additional \$20.0 million in 2008 on capital equipment related to these contracted frac fleets. Thus, our total investment in this operation was approximately \$82.4 million. We believe this acquisition expanded our pressure pumping business in north Texas and that the related contract provides a stable revenue stream from which to expand our pressure pumping business outside of this region.

In May 2008, our Board of Directors authorized and committed to a plan to sell certain operations in the Barnett Shale region of north Texas, consisting primarily of our supply store business, as well as certain non-strategic drilling logistics assets and other completion and production services assets. On May 19, 2008, we sold these operations to Select Energy Services, L.L.C., a company owned by a former officer of one of our subsidiaries, for which we received proceeds of \$50.2 million in cash and assets with a fair market value of \$8.0 million. The carrying value of the net assets sold was approximately \$51.4 million, excluding \$11.1 million of allocated goodwill associated with the combination that formed Complete Production Services, Inc. in September 2005. We recorded a loss on the sale of this disposal group totaling approximately \$6.9 million, which included \$2.6 million related to income taxes. In accordance with the sales agreement, we agreed to sublet office space to Select Energy Services, L.L.C. and to provide certain administrative services for an initial term of one year, at an agreed-upon rate.

On October 3, 2008, we acquired all of the membership interests of TSWS Well Services, LLC, a limited liability corporation which held substantially all of the well servicing and heavy haul assets of TSWS, Inc., a company based in Magnolia, Arkansas, which provides well servicing and heavy haul services to customers in northern Louisiana, east Texas and southern Arkansas. As consideration, we paid \$57.2 million in cash and prepaid an additional \$1.0 million related to an employee retention bonus pool. We also recorded goodwill totaling \$21.9 million. The purchase price allocation associated with this acquisition has not yet been completed. This acquisition extended our geographic reach into the Haynesville Shale area.

On October 4, 2008, we acquired substantially all of the assets of Appalachian Wells Services, Inc. and its wholly-owned subsidiary, each of which is based in Shelocta, Pennsylvania. This business provides pressure pumping, e-line and coiled tubing services in the Appalachian region, and includes a service area which extends through portions of Pennsylvania, West Virginia, Ohio and New York. As consideration for the purchase, we paid \$50.1 million in cash and issued 588,292 unregistered shares of our common stock, valued at \$15.04 per share. We expect to invest an additional \$6.5 million to complete a frac fleet at this location and have an option to purchase real property for approximately \$0.6 million. In addition, we have entered into an agreement under which we may be required to pay up to an additional \$5.0 million in cash consideration during the earn-out period which extends through 2010, based upon the results of operations of various service lines acquired. The purchase price allocation associated with this acquisition has not yet been finalized. We recorded goodwill of approximately \$27.5 million associated with this acquisition. We believe this acquisition created a platform for future growth for our pressure pumping and other completion and production service lines in the Marcellus Shale.

In March 2009, our Canadian subsidiary exchanged certain non-monetary assets at a net book value of \$9.3 million related to our production testing business for certain e-line assets of a competitor. We recorded a non-cash loss on the transaction of \$4.9 million, which represented the difference between the carrying value and the fair market value of the assets surrendered. We believe the e-line assets will generate incremental future cash flows compared to the production testing assets exchanged.



**Table of Contents****Critical Accounting Policies and Estimates**

The preparation of our consolidated financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, and provide a basis for making judgments about the carrying value of assets and liabilities that are not readily available through open market quotes. Estimates and assumptions are reviewed periodically, and actual results may differ from those estimates under different assumptions or conditions. We must use our judgment related to uncertainties in order to make these estimates and assumptions.

For a description of our critical accounting policies and estimates as well as certain sensitivity disclosures related to those estimates, see our Annual Report on Form 10-K for the year ended December 31, 2008. Our critical accounting policies and estimates have not changed materially during the quarter ended March 31, 2009.

**Results of Operations (Continuing Operations)**

|                                    | <b>Quarter<br/>Ended<br/>3/31/09</b> | <b>Quarter<br/>Ended<br/>3/31/08</b> | <b>Change<br/>2009/<br/>2008</b> | <b>Percent<br/>Change<br/>2009/<br/>2008</b> |
|------------------------------------|--------------------------------------|--------------------------------------|----------------------------------|----------------------------------------------|
|                                    | (unaudited, in thousands)            |                                      |                                  |                                              |
| <b>Revenue:</b>                    |                                      |                                      |                                  |                                              |
| Completion and production services | \$ 287,526                           | \$ 351,652                           | \$ (64,126)                      | (18%)                                        |
| Drilling services                  | 35,391                               | 53,311                               | (17,920)                         | (34%)                                        |
| Product sales                      | 13,764                               | 12,215                               | 1,549                            | 13%                                          |
| Total                              | \$ 336,681                           | \$ 417,178                           | \$ (80,497)                      | (19%)                                        |
| <b>EBITDA:</b>                     |                                      |                                      |                                  |                                              |
| Completion and production services | \$ 66,224                            | \$ 112,176                           | \$ (45,952)                      | (41%)                                        |
| Drilling services                  | 6,887                                | 12,217                               | (5,330)                          | (44%)                                        |
| Product sales                      | 2,551                                | 3,290                                | (739)                            | (22%)                                        |
| Corporate                          | (9,967)                              | (7,955)                              | (2,012)                          | 25%                                          |
| Total                              | \$ 65,695                            | \$ 119,728                           | \$ (54,033)                      | (45%)                                        |

Corporate includes amounts related to corporate personnel costs, other general expenses and stock-based compensation charges.

EBITDA consists of net income (loss) from continuing operations before net



interest expense,  
taxes, depreciation  
and amortization,  
minority interest and  
impairment loss.

EBITDA is a  
non-GAAP measure  
of performance. We  
use EBITDA as the  
primary internal  
management  
measure for  
evaluating  
performance and  
allocating additional  
resources. The  
following table  
reconciles EBITDA  
for the quarters  
ended March 31,  
2009 and 2008 to the  
most comparable  
U.S. GAAP measure,  
operating income  
(loss).

Table of Contents**Reconciliation of EBITDA to Most Comparable U.S. GAAP Measure Operating Income (Loss)**

|                                     | <b>Completion<br/>and<br/>Production<br/>Services</b> | <b>Drilling<br/>Services</b> | <b>Product<br/>Sales</b> | <b>Corporate</b> | <b>Total</b> |
|-------------------------------------|-------------------------------------------------------|------------------------------|--------------------------|------------------|--------------|
|                                     | <b>(unaudited, in thousands)</b>                      |                              |                          |                  |              |
| <b>Quarter Ended March 31, 2009</b> |                                                       |                              |                          |                  |              |
| EBITDA, as defined                  | \$ 66,224                                             | \$ 6,887                     | \$ 2,551                 | \$ (9,967)       | \$ 65,695    |
| Depreciation and amortization       | \$ 44,926                                             | \$ 5,548                     | \$ 634                   | \$ 581           | \$ 51,689    |
| Operating income (loss)             | \$ 21,298                                             | \$ 1,339                     | \$ 1,917                 | \$ (10,548)      | \$ 14,006    |
| <b>Quarter Ended March 31, 2008</b> |                                                       |                              |                          |                  |              |
| EBITDA, as defined                  | \$ 112,176                                            | \$ 12,217                    | \$ 3,290                 | \$ (7,955)       | \$ 119,728   |
| Depreciation and amortization       | \$ 33,730                                             | \$ 4,416                     | \$ 546                   | \$ 559           | \$ 39,251    |
| Operating income (loss)             | \$ 78,446                                             | \$ 7,801                     | \$ 2,744                 | \$ (8,514)       | \$ 80,477    |

Below is a detailed discussion of our operating results by segment for these periods.

**Quarter Ended March 31, 2009 Compared to the Quarter Ended March 31, 2008 (Unaudited)***Revenue*

Revenue from continuing operations for the quarter ended March 31, 2009 decreased by \$80.5 million, or 19%, to \$336.7 million from \$417.2 million for the same period in 2008. The changes by segment were as follows:

*Completion and Production Services.* Segment revenue decreased \$64.1 million, or 18%, for the quarter primarily due to an overall decline in investment by our customers in oil and gas exploration and development activities resulting from lower oil and gas commodity prices and concerns over the availability of credit for such investment. We experienced a decline in revenues on a year-over-year basis due to lower utilization and pricing for each of our service offerings. This overall decline in revenue was partially offset by incremental revenues earned as a result of equipment placed into service throughout 2008 and into early 2009, as well as the contribution of several businesses acquired in 2008.

*Drilling Services.* Segment revenue decreased \$17.9 million, or 34%, for the quarter primarily due to the overall decline in oilfield service activities during the first quarter of 2009 compared to the same period in 2008. Lower utilization rates and pricing pressure impacted our rig logistics and drilling businesses.

*Product Sales.* Segment revenue increased \$1.5 million, or 13%, for the quarter due primarily to a larger volume of third-party sales at our repair and fabrication shop in north Texas during the first quarter of 2009 compared to the same period in 2008. Revenues declined for our Southeast Asian business during the first quarter of 2009 compared to the same period in 2008 due to a change in the sales mix and the timing of product sales and equipment refurbishment, which tends to be project-specific.

*Service and Product Expenses*

Service and product expenses include labor costs associated with the execution and support of our services, materials used in the performance of those services and other costs directly related to the support and maintenance of equipment. These expenses decreased \$31.1 million, or 12%, to \$221.7 million for the quarter ended March 31, 2009 from \$252.8 million for the quarter ended March 31, 2008. The following table summarizes service and product expenses as a percentage of revenues for the quarters ended March 31, 2009 and 2008:



Table of Contents**Service and Product Expenses as a Percentage of Revenue**

| <b>Segment:</b>                    | <b>Quarter Ended</b> |                | <b>Change</b> |
|------------------------------------|----------------------|----------------|---------------|
|                                    | <b>3/31/09</b>       | <b>3/31/08</b> |               |
| Completion and production services | 65%                  | 59%            | (6%)          |
| Drilling services                  | 70%                  | 69%            | (1%)          |
| Product sales                      | 76%                  | 64%            | (12%)         |
| Total                              | 66%                  | 61%            | (5%)          |

Service and product expenses as a percentage of revenue increased for the quarter ended March 31, 2009 compared to the same period in 2008. Margins by business segment were primarily impacted by lower utilization and pricing as described in more detail below.

*Completion and Production Services.* Service and product expenses as a percentage of revenue for this business segment increased when comparing the quarter ended March 31, 2009 to the same period in 2008. The overall decline in activity levels in the oil and gas industry, which began in late 2008 and continued through the first quarter of 2009, resulted in lower utilization of our equipment and services, and led to an increase in competition from other service providers which contributed to pricing pressure in all of our completion and production service lines. To defray the impact of this overall decline in activity levels, we have implemented cost-saving measures including headcount reductions, payroll concessions and have sought price concessions from our vendors. Our year-over-year results for this business segment were also impacted by the timing of acquisitions during 2008, each of which contributed a full-quarter of costs for the quarter ended March 31, 2009, but had little or no impact for the same period in 2008.

*Drilling Services.* Service and product expenses as a percentage of revenue for this business segment increased slightly for the quarter ended March 31, 2009 compared to the same period in 2008 due to: (1) lower utilization of our equipment due to significantly reduced activity levels by our customers, and (2) lower pricing for our contract drilling and drilling logistics businesses on a year-over-year basis.

*Product Sales.* Service and product expenses as a percentage of revenue for the products segments increased for the quarter ended March 31, 2009 compared to the same period in 2008 due to the mix of products sold for the relative periods, as the 2008 results included several higher margin projects associated with our Southeast Asian operations when compared to the first quarter of 2009. Additionally, on a year-over-year basis, a larger proportion of the revenues and related costs for the product sales segment for the first quarter of 2009 were provided by our repair and fabrication facility in north Texas at lower margins relative to our Southeast Asian business.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses include salaries and other related expenses for our selling, administrative, finance, information technology and human resource functions. Selling, general and administrative expenses increased \$4.6 million, or 10%, for the quarter ended March 31, 2009 to \$49.3 million from \$44.6 million during the quarter ended March 31, 2008. The increase in expense was primarily due to the loss on the exchange of certain non-monetary assets in Canada which totaled \$4.9 million during the quarter ended March 31, 2009. Also impacting the selling, general and administrative expense levels in 2009 was an increase in expense associated with: (1) the timing of businesses acquired during 2008 which provided a full-quarter of expense for the first quarter of 2009 but little or no expense associated with the same period in 2008, (2) higher stock-based compensation costs, and (3) higher bad debt expense. These expense increases were partially offset by overall cost-saving measures which included headcount reductions, payroll reductions and lower costs from outside service providers. Excluding the impact of the non-monetary asset exchange in Canada, as a percentage of revenues, selling, general and administrative expense was 13% and 11% for the quarters ended March 31, 2009 and 2008, respectively.



**Table of Contents***Depreciation and Amortization*

Depreciation and amortization expense increased \$12.4 million, or 32%, to \$51.7 million for the quarter ended March 31, 2009 from \$39.3 million for the quarter ended March 31, 2008. The increase in depreciation and amortization expense resulted from placing into service much of the equipment that was purchased during the twelve months ended March 31, 2009, which totaled approximately \$215.3 million. In addition, we recorded depreciation and amortization expense related to assets associated with businesses acquired in 2008, some of which did not contribute a full-quarter of depreciation expense during the first quarter of 2008 due to the timing of the acquisitions. Amortization expense increased during the quarter ended March 31, 2009 compared to the same period in 2008 as a result of the amortization of intangible assets associated with business acquisitions in 2008. As a percentage of revenue, depreciation and amortization expense increased to 15% from 9% for the quarters ended March 31, 2009 and 2008, respectively. We expect depreciation and amortization expense as a percentage of revenue to continue to remain higher than in recent periods due to the significant investment in capital expenditures made throughout the last three years and the overall decline in activity levels that began in late 2008.

*Interest Expense*

Interest expense decreased \$0.9 million, or 6%, to \$14.5 million for the quarter ended March 31, 2009 from \$15.3 million for the quarter ended March 31, 2008. The decrease in interest expense was attributable to a decrease in the average amount of debt outstanding during the first quarter of 2009 and lower interest rates in 2009 compared to 2008. The weighted-average interest rate of borrowings outstanding at March 31, 2009 and 2008 was 7.4% and 7.5%, respectively.

*Taxes*

Tax expense is comprised of current income taxes and deferred income taxes. The current and deferred taxes added together provide an indication of an effective rate of income tax. We recorded a tax benefit for the quarter ended March 31, 2009 at an effective rate of 24% and tax expense of \$23.4 million for the quarter ended March 31, 2008 at an effective rate of 36%. The lower effective tax rate in 2009 was due to the significant decrease in taxable income for federal income tax purposes, resulting in a loss for the period and an overall tax benefit, partially offset by the effect of state and provincial taxes such as the Texas margin tax and Pennsylvania state income tax. Pennsylvania is a new market entered during the fourth quarter of 2008. In addition, a larger portion of our taxable income is expected to be earned in international locations during 2009 compared to 2008, and the international tax rates for the areas in which we operate are lower than the U.S. statutory tax rate. The lower effective rate for the quarter ended March 31, 2009 was partially offset by the more favorable impact of the domestic production activities deduction in the quarter ended March 31, 2008 when compared to the first quarter of 2009.

*Discontinued Operations*

On May 19, 2008, we sold certain operating assets primarily in north Texas including our supply store business, certain drilling logistics assets and other completion and production services assets. Net income earned by this disposal group during the quarter ended March 31, 2008 totaled \$2.2 million.

**Liquidity and Capital Resources**

The recent and unprecedented disruption in the current credit markets has had a significant adverse impact on the availability of credit from a number of financial institutions. At this point in time, our liquidity has not been materially impacted by the current credit environment. We are not currently a party to any interest rate swaps, currency hedges or derivative contracts of any type and have no exposure to commercial paper or auction rate securities markets. We will continue to closely monitor our liquidity and the overall health of the credit markets. However, we cannot predict with any certainty the impact that any further disruption in the credit environment would have on us.

Our primary liquidity needs are to fund capital expenditures and general working capital needs. In addition, we have historically obtained capital to fund strategic business acquisitions. Our primary sources of funds have been cash flow from operations, proceeds from borrowings under bank credit facilities, a private placement of debt that was subsequently exchanged for publicly registered debt and the issuance of equity securities in our initial public offering.

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We anticipate that we will rely on cash generated from operations, borrowings under our amended revolving credit facility, future debt offerings and/or future public equity offerings to satisfy our liquidity needs. We believe that funds from these sources, or funds received from a newly amended credit facility which could be required if it becomes apparent that we will violate certain debt covenants, should be sufficient to meet both our short-term working capital requirements and our long-term capital requirements. We believe that our operating cash flows and availability under an amended revolving credit facility will be sufficient to fund our operations for the next twelve months. If our plans or assumptions change, or are inaccurate, or if we make further acquisitions, we may have to raise additional capital. Our ability to fund planned capital expenditures and to make acquisitions will depend upon our future operating performance, and more broadly, on the availability of equity and debt financing, which will be affected by prevailing economic conditions in our industry, and general financial, business and other factors, some of which are beyond our control. In addition, new debt obtained could include service requirements based on higher interest paid and shorter maturities and could impose a significant burden on our results of operations and financial condition. The issuance of additional equity securities could result in significant dilution to stockholders.

As of March 31, 2009, we had working capital of \$254.4 million and cash and cash equivalents of \$24.8 million, as compared to working capital of \$311.6 million and cash and cash equivalents of \$19.1 million at December 31, 2008. Our working capital decreased during the three months ended March 31, 2009 due to an overall decline in activity during the first quarter of 2009 compared to the prior quarter and the timing of cash receipts related to the collection of trade receivables and cash disbursements for current trade payables.

The following table summarizes cash flows by type for the periods indicated (in thousands):

|                                   | <b>Three Months Ended<br/>March 31,</b> |             |
|-----------------------------------|-----------------------------------------|-------------|
|                                   | <b>2009</b>                             | <b>2008</b> |
| Cash flows provided by (used in): |                                         |             |
| Operating activities              | \$ 132,356                              | \$ 75,884   |
| Investing activities              | (5,672)                                 | (57,242)    |
| Financing activities              | (121,282)                               | (22,205)    |

Net cash provided by operating activities increased \$56.5 million for the quarter ended March 31, 2009 compared to the quarter ended March 31, 2008. This increase in operating cash flows in 2009 reflects an increase in cash receipts due primarily to collections of outstanding accounts receivable, with lower activity levels resulting in a decline in billings and revenues. Concurrent with the decrease in activity levels, accounts payable balances decreased relative to the prior quarter, as older payables clear and fewer new payables have been recorded. Operating cash flows were also impacted by the timing of business acquisitions throughout 2008.

Net cash used in investing activities declined by \$51.6 million for the quarter ended March 31, 2009 compared to the quarter ended March 31, 2008. Of this decrease, \$38.5 million was due to a reduction in the funds used to invest in capital equipment, which was \$51.3 million for the first quarter of 2008 compared to \$12.8 million for the first quarter of 2009. We decreased our overall capital expenditures budget for 2009 in response to the decline in commodity prices and anticipated activity levels. We expect to expend significantly less for capital expenditures in fiscal 2009 compared to fiscal 2008. In addition, we invested \$9.3 million in a business acquisition for the quarter ended March 31, 2008, with no corresponding business acquisitions for the first quarter of 2009. We do not anticipate completing acquisitions for cash consideration until market conditions stabilize, but will continue to evaluate the acquisition of complementary businesses. We will evaluate each acquisition opportunity based upon the circumstances and our financing capabilities at that time.

Net cash used by financing activities was \$121.3 million for the quarter ended March 31, 2009 compared to \$22.2 million for the quarter ended March 31, 2008. We repaid long-term borrowings under our debt facilities totaling \$123.0 million for the quarter ended March 31, 2009. The primary source of these funds during the first quarter of 2009 was cash flow from operations. For the quarter ended March 31, 2008, we borrowed \$101.5 million and repaid \$116.9 million, a net repayment of \$15.4 million, under our debt facilities. The source of funds for this net repayment was cash flow from operations. Borrowings were used to fund capital expenditures, business acquisitions and general

corporate needs. For 2009, we are focusing on reducing our long-term debt obligations and improving our overall debt to capitalization ratio. Our long-term debt balances, including current maturities, were \$727.7 million and \$847.6 million as of March 31, 2009 and December 31, 2008, respectively.



**Table of Contents*****Dividends***

We did not pay dividends on our \$0.01 par value common stock during the three months ended March 31, 2009 or during the years ended December 31, 2008, 2007 and 2006. We do not intend to pay dividends in the foreseeable future, but rather plan to reinvest such funds in our business and to reduce our long-term debt obligations and improve our overall debt to capitalization ratio. Furthermore, our credit facility contains restrictive debt covenants which preclude us from paying future dividends on our common stock.

***Description of Our Indebtedness******Senior Notes.***

On December 6, 2006, we issued 8.0% senior notes with a face value of \$650.0 million through a private placement of debt. These notes have a maturity of 10 years, with a maturity date of 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, on a senior unsecured basis, 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 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. We can redeem 35% of these notes on or before December 15, 2009 using the proceeds of certain equity offerings. 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 Securities and Exchange Commission 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.

***Credit Facility.***

On December 6, 2006, we amended and restated our existing senior secured credit facility (the Credit Agreement ) with Wells Fargo Bank, National Association, as U.S. Administrative Agent, and certain other financial institutions. The Credit Agreement initially provided for a \$310.0 million U.S. revolving credit facility that will mature in December 2011 and a \$40.0 million Canadian revolving credit facility (with Integrated Production Services, Ltd., one of our wholly-owned subsidiaries, as the borrower thereof) that will mature in December 2011. In addition, certain portions of the credit facilities are available to be borrowed in U.S. Dollars, Canadian Dollars, Pounds Sterling, Euros and other currencies approved by the lenders.

Subject to certain limitations, we have the ability to elect how interest under the Credit Agreement will be computed. Interest under the Credit Agreement may be determined by reference to (1) the London Inter-bank Offered Rate, or LIBOR, plus an applicable margin between 0.75% and 1.75% per annum (with the applicable margin depending upon our ratio of total debt to EBITDA (as defined in the agreement)), or (2) the Base Rate (i.e., the higher of the Canadian bank's prime rate or the CDOR rate plus 1.0%, in the case of Canadian loans or the greater of the prime rate and the federal funds rate plus 0.5%, in the case of U.S. loans), plus an applicable margin between 0.00% and 0.75% per annum. If an event of default exists under the Credit Agreement, advances will bear interest at the then-applicable rate plus 2%. Interest is payable quarterly for base rate loans and at the end of applicable interest periods for LIBOR loans, except that if the interest period for a LIBOR loan is six months, interest will be paid at the end of each three-month period.

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The Credit Agreement also contains various covenants that limit our and our subsidiaries' ability to: (1) grant certain liens; (2) make certain loans and investments; (3) make capital expenditures; (4) make distributions; (5) make acquisitions; (6) enter into hedging transactions; (7) merge or consolidate; or (8) engage in certain asset dispositions. Additionally, the Credit Agreement limits our and our subsidiaries' ability to incur additional indebtedness if: (1) we are not in pro forma compliance with all terms under the Credit Agreement, (2) certain covenants of the additional indebtedness are more onerous than the covenants set forth in the Credit Agreement, or (3) the additional indebtedness provides for amortization, mandatory prepayment or repurchases of senior unsecured or subordinated debt during the duration of the Credit Agreement with certain exceptions. The Credit Agreement also limits additional secured debt to 10% of our consolidated net worth (i.e., the excess of our assets over the sum of our liabilities plus the minority interests). The Credit Agreement contains covenants which, among other things, require us and our subsidiaries, on a consolidated basis, to maintain specified ratios or conditions as follows (with such ratios tested at the end of each fiscal quarter): (1) total debt to EBITDA, as defined in the Credit Agreement, of not more than 3.0 to 1.0 and (2) EBITDA, as defined, to total interest expense of not less than 3.0 to 1.0. We were in compliance with all debt covenants under the amended and restated Credit Agreement as of March 31, 2009. However, there can be no assurance as to our future compliance in light of the very uncertain industry conditions. See **Risk Factors** **Risks Related to Our Business and Our Industry** and **Risk Factors** **Risks Related to Our Indebtedness, including Our Senior Notes** in our Annual Report on Form 10-K as of December 31, 2008.

Under the Credit Agreement, we are permitted to prepay our borrowings.

All of the obligations under the U.S. portion of the Credit Agreement are secured by first priority liens on substantially all of 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 Credit Agreement are guaranteed by substantially all of our U.S. subsidiaries. All of the obligations under the Canadian portions of the Credit Agreement are secured by first priority liens on substantially all of the assets of our subsidiaries. Additionally, all of the obligations under the Canadian portions of the Credit Agreement are guaranteed by us as well as certain of our subsidiaries.

If an event of default exists under the Credit Agreement, as defined, the lenders may accelerate the maturity of the obligations outstanding under the Credit Agreement and exercise other rights and remedies. While an event of default is continuing, advances will bear interest at the then-applicable rate plus 2%. For a description of an event of default, see our Credit Agreement which was filed with the Securities and Exchange Commission on December 8, 2006 as an exhibit to a Current Report on Form 8-K.

On June 29, 2007, we amended our Credit Agreement in conjunction with the restructuring of certain legal entities for tax purposes with no material changes to the financial provisions or covenants.

Effective October 19, 2007, we amended certain terms of our Credit Agreement including: (1) a provision to increase the borrowing capacity of the U.S. revolving portion of the facility from \$310.0 million to \$360.0 million; and (2) a provision to include a commitment increase clause, as defined in our Credit Agreement, which permits us to effect up to two separate increases in the aggregate commitments under the facility by designating a participating lender to increase its commitment, by mutual agreement, in increments of at least \$50.0 million with the aggregate of such commitment increases not to exceed \$100.0 million and in accordance with other provisions as stipulated in the amendment. In addition, the amendment specifies the terms for prepayment of outstanding advances and new borrowings and replaces Schedule II to the amended Credit Agreement which allocates the commitments amongst the member financial institutions.

Borrowings of \$70.0 million and \$7.2 million were outstanding under the U.S. and Canadian revolving credit facilities at March 31, 2009, respectively. The U.S. revolving credit facility bore interest at 1.8% at March 31, 2009, and the Canadian revolving credit facility bore interest at rates ranging from 2.8% to 4.0%, or a weighted average of 3.0% at March 31, 2009. For the quarter ended March 31, 2009, the weighted average interest rate on borrowings under the amended Credit Agreement was approximately 1.9%. In addition, there were letters of credit outstanding which totaled \$43.7 million under the U.S. revolving portion of the facility that reduced the available borrowing capacity at March 31, 2009 to \$246.3 million. The available borrowing capacity under the Canadian revolving portion of the facility was \$32.8 million at March 31, 2009. In addition, we incurred fees of 1.25% of the total amount

outstanding under our letter of credit arrangements. As of April 27, 2009, we had \$65.5 million outstanding under our Credit Agreement and letters of credit totaling \$38.7 million.

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In accordance with the seller notes issued in conjunction with certain business acquisitions consummated in 2004, we repaid all outstanding principal and interest under these note arrangements totaling \$3.5 million upon maturity in March 2009.

*Outstanding Debt and Commitments*

Our contractual commitments have not changed materially since December 31, 2008, except for repayments of approximately \$120.0 million of borrowings under our debt facilities, primarily with cash flow from operations.

We have entered into agreements to purchase certain equipment for use in our business. The manufacture of this equipment requires lead-time and we generally are committed to accept this equipment at the time of delivery, unless arrangements have been made to cancel delivery in accordance with the purchase agreement terms. We believe that our available borrowing capacity under our credit facilities and our operating cash flows should be sufficient to fund our firm purchase commitments.

If we complete business acquisitions in the future, we may use cash from operations, proceeds from future debt or equity offerings and borrowings under our revolving credit facilities for this purpose.

**Recent Accounting Pronouncements and Authoritative Guidance**

In December 2007, the FASB revised SFAS No. 141, *Business Combinations* which will replace that pronouncement in its entirety. While the revised statement will retain the fundamental requirements of SFAS No. 141, it will also require that all assets and liabilities and non-controlling interests of an acquired business be measured at their fair value, with limited exceptions, including the recognition of acquisition-related costs and anticipated restructuring costs separate from the acquired net assets. In addition, the statement provides guidance for recognizing pre-acquisition contingencies and states that an acquirer must recognize assets and liabilities assumed arising from contractual contingencies as of the acquisition date, measured at acquisition-date fair values, but must recognize all other contractual contingencies as of the acquisition date, measured at their acquisition-date fair values only if it is more likely than not that these contingencies meet the definition of an asset or liability in FASB Concepts Statement No. 6, *Elements of Financial Statements*. Furthermore, this statement provides guidance for measuring goodwill and recording a bargain purchase, defined as a business combination in which total acquisition-date fair value of the identifiable net assets acquired exceeds the fair value of the consideration transferred plus any non-controlling interest in the acquiree, and it requires that the acquirer recognize that excess in earnings as a gain attributable to the acquirer. This statement became effective on January 1, 2009 and must be applied prospectively. We adopted SFAS No. 141R on January 1, 2009 with no impact on our financial position, results of operations and cash flows.

In September 2008, the FASB issued an FSP No. FAS 144-d, *Amending the Criteria for Reporting a Discontinued Operation*, which clarifies the definition of a discontinued operation as either: (1) a component of an entity which has been disposed of or classified as held for sale which meets the criteria of an operating segment as defined under SFAS No. 131, or (2) as a business, as such term is defined in SFAS No. 141R which becomes effective on January 1, 2009, which meets the criteria to be classified as held for sale on acquisition. This proposed guidance further modifies certain disclosure requirements. We are currently evaluating the effect this proposed guidance may have on our financial position, results of operations and cash flows.

In January 2009, the FASB issued FSP No. FAS 107-b and APB 28-a, which would amend SFAS No. 107, *Disclosures About Fair Value of Financial Instruments* and APB Opinion No. 28, *Interim Financial Reporting*, to require disclosure of the fair value of financial instruments in interim financial statements as well as annual financial statements. In addition, entities would be required to disclose the method and significant assumptions used to estimate the fair value of financial instruments. This guidance becomes effective for interim and annual periods ending after June 15, 2009. We are currently evaluating the effect this proposed guidance may have on our financial position, results of operations and cash flows.

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**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

The demand, pricing and terms for oil and gas services provided by us are largely dependent upon the level of activity for the U.S. and Canadian oil and gas industry. Industry conditions are influenced by numerous factors over which we have no control, including, but not limited to: the supply of and demand for oil and gas; the level of prices, and expectations about future prices, of oil and gas; the cost of exploring for, developing, producing and delivering oil and gas; the expected rates of declining current production; the discovery rates of new oil and gas reserves; available pipeline and other transportation capacity; weather conditions; domestic and worldwide economic conditions; political instability in oil-producing countries; technical advances affecting energy consumption; the price and availability of alternative fuels; the ability of oil and gas producers to raise equity capital and debt financing; and merger and divestiture activity among oil and gas producers.

The level of activity in the U.S. and Canadian oil and gas exploration and production industry is volatile. No assurance can be given that our expectations of trends in oil and gas production activities will reflect actual future activity levels or that demand for our services will be consistent with the general activity level of the industry. Any prolonged substantial reduction in oil and gas prices would likely affect oil and gas exploration and development efforts and therefore affect demand for our services. A material decline in oil and gas prices or U.S. and Canadian activity levels could have a material adverse effect on our business, financial condition, results of operations and cash flows.

For the quarter ended March 31, 2009, approximately 5% of our revenues from continuing operations and 3% of our total assets were denominated in Canadian dollars, our functional currency in Canada. As a result, a material decrease in the value of the Canadian dollar relative to the U.S. dollar may negatively impact our revenues, cash flows and net income. Each one percentage point change in the value of the Canadian dollar would have impacted our revenues for the quarter ended March 31, 2009 by approximately \$0.2 million. We do not currently use hedges or forward contracts to offset this risk.

Our Mexican operation uses the U.S. dollar as its functional currency, and as a result, all transactions and translation gains and losses are recorded currently in the financial statements. The balance sheet amounts are translated into U.S. dollars at the exchange rate at the end of the month and the income statement amounts are translated at the average exchange rate for the month. We estimate that a hypothetical one percentage point change in the value of the Mexican peso relative to the U.S. dollar would have impacted our revenues for the quarter ended March 31, 2009 by approximately \$0.1 million. Currently, we conduct a portion of our business in Mexico in the local currency, the Mexican peso.

Approximately 11% of our debt at March 31, 2009 was structured under floating rate terms and, as such, our interest expense is sensitive to fluctuations in the prime rates in the U.S. and Canada. Based on the debt structure in place as of March 31, 2009, a 100 basis point increase in interest rates relative to our floating rate obligations would increase interest expense by approximately \$0.8 million per year and reduce operating cash flows by approximately \$0.6 million, net of tax.

**Item 4. Controls and Procedures.**

Our management, under the supervision of and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures, as such terms are defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of the end of the period covered by this report. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of March 31, 2009 at the reasonable assurance level.

There have been no changes to our system of internal control procedures that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting for the quarter ended March 31, 2009.



**Table of Contents****PART II OTHER INFORMATION****Item 1. Legal Proceedings.**

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.

**Item 1A. Risk Factors.**

Our business faces many risks. Any of the risks discussed elsewhere in this Form 10-Q or our other SEC filings, could have a material impact on our business, financial position or results of operations. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operations. For a detailed discussion of the risk factors that should be understood by any investor contemplating investment in our stock, please refer to the section entitled **Item 1A. Risk Factors** in our Annual Report on Form 10-K for the year ended December 31, 2008. There has been no material change in the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2008.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

In accordance with the provisions of the 2008 Incentive Award Plan, holders of unvested 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.

| Period             | (a) Total Number of Shares (or Units) Purchased | (b) Average Price Paid per Share (or Unit) | (c) Total number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number (or Approximate Dollar Value) of shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|--------------------|-------------------------------------------------|--------------------------------------------|-------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|
| January 1 31, 2009 | 10,662                                          | \$6.37                                     | 10,662                                                                                          | *                                                                                                                           |

\*We had 1,878,030 shares of unvested restricted stock outstanding at March 31, 2009. The holders of these shares have the option to either remit taxes due related to the vesting of these shares or to authorize us to purchase the shares at the current market value in a sufficient amount to settle the related tax burden. The amount purchased will depend on the market value at the time and whether or not the holders choose to surrender shares in settlement of the related tax burdens.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Submission of Matters to a Vote of Security Holders.**

None.

**Item 5. Other Information.**

None.



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**Item 6. Exhibits.**

The exhibits listed in the accompanying Exhibit Index are incorporated by reference into this Item 6.

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**SIGNATURE**

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

COMPLETE PRODUCTION SERVICES, INC.

April 30, 2009

By: /s/ Jose A. Bayardo

Date

Jose A. Bayardo  
Vice President and  
Chief Financial Officer  
(Duly Authorized Officer and  
Principal Financial Officer)  
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**EXHIBIT INDEX**

**Exhibit**

| <b>No.</b> | <b>Exhibit Title</b>                                                                                                                                                                                  |
|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1        | Amended and Restated Certificate of Incorporation (incorporated by reference from the Form S-1/A, filed January 18, 2006 (File no. 333-128750))                                                       |
| 3.2        | Amended and Restated Bylaws (incorporated by reference from the Current Report on Form 8-K, filed February 27, 2008 (file no. 001-32858))                                                             |
| 10.1*      | Second Supplemental Indenture among the Guarantor Subsidiaries of Complete Production Services, Inc., and Wells Fargo Bank, National Association, as trustee under the Indenture, dated April 1, 2009 |
| 31.1*      | Certification of Chief Executive Officer Pursuant to Rule 13a 14(a) and Rule 15a 14(a) of the Securities and Exchange Act of 1934, as Amended                                                         |
| 31.2*      | Certification of Chief Financial Officer Pursuant to Rule 13a 14(a) and Rule 15a 14(a) of the Securities and Exchange Act of 1934, as Amended                                                         |
| 32.1*      | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002                                                     |
| 32.2*      | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002                                                     |

\* Filed or furnished herewith.