Complete Production Services, Inc.
Form 10-Q
August 01, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED June 30, 2011

¨ **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	**(I.R.S. Employer**
Incorporation or Organization)	**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 x 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 x No ¨

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

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

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

Number of shares of the common stock, par value $0.01 per share, of the registrant outstanding as of July 28, 2011: 79,287,231.

INDEX TO FINANCIAL STATEMENTS

Complete Production Services, Inc.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

COMPLETE PRODUCTION SERVICES, INC.

Consolidated Balance Sheets

June 30, 2011 (unaudited) and December 31, 2010

	2011	2010
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 170,554	$ 126,681
Accounts receivable, net	393,935	345,648
Inventory, net	38,590	33,536
Prepaid expenses	32,981	18,700
Income tax receivable	23,640	23,462
Current deferred tax assets	2,835	2,499
Other current assets	57	1,384
Total current assets	662,592	551,910
Property, plant and equipment, net	1,001,810	956,028
Intangible assets, net of accumulated amortization of $24,019 and $21,293, respectively	11,087	9,209
Deferred financing costs, net of accumulated amortization of $10,737 and $9,316, respectively	10,841	9,694
Goodwill	254,996	250,533
Restricted cash	17,000	17,000
Other long-term assets	7,339	6,202
Total assets	$ 1,965,665	$ 1,800,576
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 70,809	$ 75,099
Accrued liabilities	48,620	44,291
Accrued payroll and payroll burdens	30,540	26,568
Accrued interest	2,458	2,446
Income taxes payable	1,106	
Total current liabilities	153,533	148,404
Long-term debt	650,000	650,000
Deferred income taxes	234,451	190,422
Other long-term liabilities	6,150	5,916
Total liabilities	1,044,134	994,742
Commitments and contingencies		
Stockholders equity:		
Common stock, $0.01 par value per share, 200,000,000 shares authorized, 77,891,409 (2010 76,443,926) issued	778	764
Preferred stock, $0.01 par value per share, 5,000,000 shares authorized, no shares issued and outstanding		

Additional paid-in capital	684,174	657,993
Retained earnings	219,604	126,165
Treasury stock, 370,662 (2010 167,643) shares at cost	(7,346)	(1,765)
Accumulated other comprehensive income	24,321	22,677
Total stockholders equity	921,531	805,834
Total liabilities and stockholders equity	$ 1,965,665	$ 1,800,576

See accompanying notes to consolidated financial statements.

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COMPLETE PRODUCTION SERVICES, INC.

Consolidated Statements of Operations

Quarters and Six Months Ended June 30, 2011 and 2010 (unaudited)

	Quarter Ended June 30, 2011	Quarter Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
	(In thousands, except per share data)			
Revenue:				
Service	$ 544,103	$ 350,905	$ 1,031,342	$ 652,297
Product	7,864	9,340	15,842	17,652
	551,967	360,245	1,047,184	669,949
Service expenses	346,645	223,564	661,167	430,384
Product expenses	5,335	7,323	11,288	13,447
Selling, general and administrative expenses	50,380	44,017	99,731	84,869
Depreciation and amortization	49,465	45,472	98,613	90,791
Income before interest and taxes	100,142	39,869	176,385	50,458
Interest expense	13,681	14,760	27,824	29,501
Interest income	(132)	(95)	(227)	(143)
Income before taxes	86,593	25,204	148,788	21,100
Taxes	32,088	9,533	55,349	8,191
Net income	$ 54,505	$ 15,671	$ 93,439	$ 12,909
Earnings per share information:				
Basic earnings per share	$ 0.70	$ 0.21	$ 1.21	$ 0.17
Diluted earnings per share	$ 0.69	$ 0.20	$ 1.18	$ 0.17
Weighted average shares:				
Basic	77,777	76,036	77,362	75,869
Diluted	79,187	77,318	78,895	77,194

Consolidated Statements of Comprehensive Income

Quarters and Six Months Ended June 30, 2011 and 2010

(unaudited)

	Quarter Ended June 30, 2011	Quarter Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
	(In thousands)		(In thousands)	
Net income	$ 54,505	$ 15,671	$ 93,439	$ 12,909
Change in cumulative translation adjustment	(213)	(1,543)	1,644	59

Comprehensive income	$ 54,292	$ 14,128	$ 95,083	$ 12,968

See accompanying notes to consolidated financial statements.

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COMPLETE PRODUCTION SERVICES, INC.

Consolidated Statement of Stockholders Equity

Six Months Ended June 30, 2011 (unaudited)

	Number of Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total
			(In thousands, except share data)				
Balance at December 31, 2010	76,443,926	$ 764	$ 657,993	$ 126,165	$ (1,765)	$ 22,677	$ 805,834
Net income				93,439			93,439
Cumulative translation adjustment						1,644	1,644
Issuance of common stock:							
Exercise of stock options	891,052	8	15,079				15,087
Expense related to employee stock options			1,156				1,156
Excess tax benefit from share-based compensation			4,765				4,765
Purchase of treasury shares	(203,019)	(2)	2		(5,581)		(5,581)
Vested restricted stock	759,450	8	(8)				
Amortization of non-vested restricted stock			5,187				5,187
Balance at June 30, 2011	77,891,409	$ 778	$ 684,174	$ 219,604	$ (7,346)	$ 24,321	$ 921,531

See accompanying notes to consolidated financial statements.

COMPLETE PRODUCTION SERVICES, INC.

Consolidated Statements of Cash Flows

Six Months Ended June 30, 2011 and 2010 (unaudited)

	Six Months Ended June 30,	
	2011	2010
	(In thousands)	
Cash provided by:		
Operating activities:		
Net income	$ 93,439	$ 12,909
Items not affecting cash:		
Depreciation and amortization	98,613	90,791
Deferred income taxes	43,693	4,106
Excess tax benefit from share-based compensation	(4,765)	(273)
Non-cash compensation expense	6,343	5,655
Gain on non-monetary asset exchange		(458)
Provision for bad debt expense	473	1,177
Provision for write-off of note receivable		1,926
(Gain) loss on retirement of assets	806	(92)
Other	1,229	1,524
Changes in operating assets and liabilities:		
Accounts receivable	(48,350)	(82,463)
Inventory	(5,135)	5,334
Prepaid expense and other current assets	(7,662)	42,611
Accounts payable	8,564	15,404
Accrued liabilities and other	3,240	6,364
Net cash provided by operating activities	190,488	104,515
Investing activities:		
Additions to property, plant and equipment	(149,072)	(41,894)
Acquisitions	(15,576)	(1,365)
Proceeds from disposal of capital assets	3,285	3,117
Other	191	
Net cash used in investing activities	(161,172)	(40,142)
Financing activities:		
Repayments of long-term debt		(64)
Repayment of notes payable		(1,069)
Proceeds from issuances of common stock	15,087	2,263
Purchase of treasury shares	(5,581)	(1,410)
Excess tax benefit from share-based compensation	4,765	273
Net cash provided by (used in) financing activities	14,271	(7)
Effect of exchange rate changes on cash	286	(78)
Change in cash and cash equivalents	43,873	64,288
Cash and cash equivalents, beginning of period	126,681	77,360
Cash and cash equivalents, end of period	$ 170,554	$ 141,648

Supplemental cash flow information:		
Cash paid for interest, net of interest capitalized	$ 26,541	$ 28,243
Cash paid (refund received) for income taxes	$ 6,235	$ (42,734)
Significant non-cash investing activities:		
Non-cash capital expenditures	$ 9,678	$

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 and Mexico. We also had operations in 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 June 30, 2011 and the statements of operations and the statements of comprehensive income for the quarters and six-month periods ended June 30, 2011 and 2010, as well as the statement of stockholders equity for the six months ended June 30, 2011 and the statements of cash flows for the six months ended June 30, 2011 and 2010. Certain information and disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) have been condensed or omitted. These unaudited interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2010 filed with the Securities and Exchange Commission on February 18, 2011. 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.

(c) Discontinued operations:

On July 6, 2011, we sold our Southeast Asian products business, through which we provided oilfield equipment sales, rentals and refurbishment services, to MTQ Corporation Limited (MTQ), a Singapore firm which provides engineering services to oilfield and industrial equipment users and manufacturers. We received proceeds from the sale of this business totaling $19,300, which is subject to further adjustment based on the net tangible assets of the business on June 30, 2011. We have not yet finalized the gain or loss on this transaction, but we expect that such a gain or loss will not have a significant impact on our financial statements.

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Although this sale occurred subsequent to June 30, 2011, the following table presents the unaudited pro forma effect of the sale of this business on the presentation of revenue, income before taxes and net income for each of the periods presented in the accompanying statements of operations. No pro forma effect of the gain or loss on the sale of this business is included in the following table.

	As Reported	Disposal Group	Pro Forma
Quarter ended June 30, 2011			
Revenue	$ 551,967	$ 7,735	$ 544,232
Income before taxes	$ 86,593	$ 1,722	$ 84,871
Net income	$ 54,505	$ 1,415	$ 53,090
Quarter ended June 30, 2010			
Revenue	$ 360,245	$ 8,389	$ 351,856
Income before taxes	$ 25,204	$ 997	$ 24,207
Net income	$ 15,671	$ 849	$ 14,822
Six months ended June 30, 2011			
Revenue	$ 1,047,184	$ 13,766	$ 1,033,418
Income before taxes	$ 148,788	$ 2,772	$ 146,016
Net income	$ 93,439	$ 2,330	$ 91,109
Six months ended June 30, 2010			
Revenue	$ 669,949	$ 15,731	$ 654,218
Income before taxes	$ 21,100	$ 2,369	$ 18,731
Net income	$ 12,909	$ 1,973	$ 10,936

The following table presents the unaudited pro forma balance sheet presentation for each of the applicable periods presented, assuming the assets and liabilities associated with the Southeast Asian products business were reclassified as held for sale at June 30, 2011 and December 31, 2010.

As of June 30, 2011	As Reported	Disposal Group	Pro Forma
Current assets:			
Accounts receivable	$ 393,935	$ (6,805)	$ 387,130
Inventory, net	$ 38,590	$ (5,264)	$ 33,326
Prepaid expenses	$ 32,981	$ (455)	$ 32,526
Current assets held for sale		$ 12,524	$ 12,524
Long-term assets:			
Property, plant and equipment, net	$ 1,001,810	$ (4,963)	$ 996,847
Goodwill	$ 254,996	$ (2,858)	$ 252,138
Other long-term assets	$ 7,339	$ (941)	$ 6,398
Long-term assets held for sale		$ 8,762	$ 8,762
Current liabilities:			
Accounts payable	$ 70,809	$ (2,774)	$ 68,035
Accrued liabilities	$ 81,618	$ (781)	$ 80,837
Income taxes payable	$ 1,106	$ (431)	$ 675
Current liabilities held for sale		$ 3,986	$ 3,986
Long-term liabilities:			
Deferred income taxes	$ 234,451	$ (42)	$ 234,409
Long-term liabilities held for sale		$ 42	$ 42

As of December 31, 2010	As Reported	Disposal Group	Pro Forma
Current assets:			
Accounts receivable	$ 345,648	$ (3,664)	$ 341,984

Inventory, net	$ 33,536	$ (5,147)	$ 28,389
Prepaid expenses	$ 18,700	$ (343)	$ 18,357
Current assets held for sale		$ 9,154	$ 9,154
Long-term assets:			
Property, plant and equipment, net	$ 956,028	$ (5,096)	$ 950,932
Goodwill	$ 250,533	$ (2,858)	$ 247,675
Other long-term assets	$ 6,202	$ (943)	$ 5,259
Long-term assets held for sale		$ 8,897	$ 8,897
Current liabilities:			
Accounts payable	$ 75,099	$ (597)	$ 74,502
Accrued liabilities	$ 73,305	$ (1,582)	$ 71,723
Current liabilities held for sale		$ 2,179	$ 2,179
Long-term liabilities:			
Deferred income taxes	$ 190,422	$ (33)	$ 190,389
Long-term liabilities held for sale		$ 33	$ 33

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2. Business acquisition:

On May 11, 2011, we completed the purchase of the hydraulic snubbing and production testing assets of a business with operations in the Marcellus, Eagle Ford and Barnett Shales. We paid a total of $15,576 in cash for these assets, which included goodwill of $4,433. The entire purchase price was allocated to the completion and production services business segment. We believe this acquisition will supplement our hydraulic snubbing and production testing service offerings in Pennsylvania and Texas. The following table summarizes our preliminary purchase price allocation for this acquisition as of June 30, 2011:

Net assets acquired:	
Other current assets	$ 725
Property, plant and equipment	5,868
Current liabilities	(10)
Intangible assets	4,560
Goodwill	4,433
Net assets acquired	$ 15,576
Consideration:	
Cash, net of cash and cash equivalents acquired	$ 15,576

The purchase price of this acquired business was negotiated as an arm s length transaction with the seller. We use various valuation techniques, including an earnings multiple approach, to evaluate acquisition targets. We also consider precedent transactions which we have undertaken and similar transactions of others in our industry. To determine the fair value of assets acquired, we generally retain third-party consultants to assist with the valuation of identifiable intangible assets and to evaluate property, plant and equipment acquired based upon, at minimum, the replacement cost of the assets.

3. Accounts receivable:

	June 30, 2011	December 31, 2010
Trade accounts receivable	$ 319,357	$ 253,662
Related party receivables	26,063	51,046
Unbilled revenue	51,078	42,747
Other receivables	1,217	2,353
	397,715	349,808
Allowance for doubtful accounts	3,780	4,160
	$ 393,935	$ 345,648

Of the related party receivables at June 30, 2011 and December 31, 2010, $25,405 and $50,048, respectively, related to amounts due from a company for which one of our directors has an ownership interest and serves as chief executive officer and chairman of the board.

4. Inventory:

	June 30, 2011	December 31, 2010
Finished goods	$ 19,985	$ 18,644
Manufacturing parts, materials and other	18,441	16,063

Work in process	1,302	1,282
	39,728	35,989
Inventory reserves	1,138	2,453
	$ 38,590	$ 33,536

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5. Property, plant and equipment:

June 30, 2011	Cost	Accumulated Depreciation	Net Book Value
Land	$ 10,423	$	$ 10,423
Buildings	34,388	5,115	29,273
Field equipment	1,528,134	723,295	804,839
Vehicles	124,475	64,437	60,038
Office furniture and computers	20,268	13,054	7,214
Leasehold improvements	25,885	7,446	18,439
Construction in progress	71,584		71,584
	$ 1,815,157	$ 813,347	$ 1,001,810

December 31, 2010	Cost	Accumulated Depreciation	Net Book Value
Land	$ 8,475	$	$ 8,475
Buildings	32,083	4,456	27,627
Field equipment	1,442,664	643,582	799,082
Vehicles	128,381	58,110	70,271
Office furniture and computers	18,259	11,970	6,289
Leasehold improvements	26,644	6,258	20,386
Construction in progress	23,898		23,898
	$ 1,680,404	$ 724,376	$ 956,028

Construction in progress at June 30, 2011 and December 31, 2010 primarily included progress payments to vendors for equipment to be delivered in future periods and component parts to be used in the final assembly of operating equipment, which in all cases were not yet placed into service at the time. For the quarter and six months ended June 30, 2011, we recorded capitalized interest of $771 and $1,056, respectively, 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.

In conjunction with our impairment testing of long-term assets at December 31, 2010, we noted approximately $5,814 of salvage value assigned to various coiled tubing and wireline assets at one of our operating divisions. Although we evaluated these assets and the assets of the overall reporting unit for recoverability and noted no significant impairment based on an undiscounted cash flow projection, we believe that the salvage value assigned to these assets is no longer appropriate. These assets were acquired several years ago, and we believe the estimate for salvage value used at that time was appropriate. However, increasingly, our business is focusing on larger-diameter coiled tubing units and more technologically-advanced equipment. As such, effective January 1, 2011, we changed our estimate of salvage value to zero and are depreciating these assets over their remaining useful lives, which we determined to be an average of 1.3 years. This change in estimate has been applied prospectively and is expected to increase our depreciation expense over the next five years as follows: 2011 $4,867; 2012 $789; 2013 $134 and 2014 $24.

6. Notes payable:

We entered into a note arrangement to finance certain of our annual insurance premiums for the policy term from May 1, 2009 to April 2010. Our accounting policy has been to record a prepaid asset associated with certain of these policies which is amortized over the term and which takes into account actual premium payments and deposits made to date, to record an accrued liability for premiums which are contractually committed for the policy term and to make monthly premium payments in accordance with our premium commitments and monthly note payments for amounts financed. For the six months ended June 30, 2010, we paid $1,069 under this note payable arrangement. Effective May 1, 2011 and 2010, we renewed our annual insurance premiums for the preceding twelve-month terms, but chose to prepay our premiums for certain insurance coverages which had been financed in prior renewals.

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7. Long-term debt:

The following table summarizes long-term debt as of June 30, 2011 and December 31, 2010:

	2011	2010
U.S. revolving credit facility (a)	$	$
Canadian revolving credit facility (a)		
8.0% senior notes (b)	650,000	650,000
	$ 650,000	$ 650,000

(a) Prior to June 13, 2011, we maintained a senior secured facility (the Amended Credit Agreement) with Wells Fargo Bank, National Association, as U.S. Administrative Agent, HSBC Bank Canada, as Canadian Administrative Agent, and certain other financial institutions which was structured as an asset-based facility subject to borrowing base restrictions. In connection with the facility, Wells Fargo Capital Finance, LLC (formerly known as Wells Fargo Foothill, LLC) served as U.S. Administrative Agent and also served as U.S. Issuing Lender and U.S. Swingline Lender. The Amended Credit Agreement provided for a U.S. revolving credit facility of up to $225,000 that was to mature in December 2011 and a Canadian revolving credit facility of up to $15,000 (with Integrated Production Services Ltd., one of our wholly-owned subsidiaries, as the borrower thereof (Canadian Borrower)) that was to mature in December 2011. The Amended Credit Agreement included a provision for a commitment increase , as defined therein, which permitted us to effect up to two separate increases in the aggregate commitments under the Amended Credit Agreement by designating one or more existing lenders or other banks or financial institutions, subject to the bank s sole discretion as to participation, to provide additional aggregate financing up to $75,000, with each committed increase equal to at least $25,000 in the U.S., or $5,000 in Canada, and in accordance with other provisions as stipulated in the Amended Credit Agreement. Certain portions of the credit facilities were available to be borrowed in U.S. dollars, Canadian dollars and other currencies approved by the lenders.

Subject to certain limitations set forth in the Amended Credit Agreement, we had the ability to elect how interest under the Amended Credit Agreement would be computed. Interest under the Amended Credit Agreement could be determined by reference to (1) the London Inter-bank Offered Rate, or LIBOR, plus an applicable margin between 3.75% and 4.25% per annum (with the applicable margin depending upon our Excess Availability Amount, as defined in the Amended Credit Agreement) or (2) the Base Rate (which means the higher of the Prime Rate, Federal Funds Rate plus 0.50%, 3 month LIBOR plus 1.00% and 3.50%), plus the applicable margin, as described above. If an event of default existed or continued under the Amended Credit Agreement, advances would bear interest as described above with an applicable margin rate of 4.25% plus 2.00%. Interest was payable monthly.

We incurred unused commitment fees under the Amended Credit Agreement ranging from 0.50% to 1.00% based on the average daily balance of amounts outstanding.

Letters of credit outstanding under the Amended Credit Agreement incurred fees equal to the applicable margin, as described above. If an event of default existed or continued, such fee would have been equal to the applicable margin plus 2.00%.

Under the Amended Credit Agreement, the only financial covenant to which we were subject was a Fixed Charge Coverage Ratio covenant, which must have exceeded 1.10 to 1.00. This covenant became effective only if our Excess Availability Amount, as defined under the Amended Credit Agreement, plus certain qualified cash and cash equivalents is less than $50,000.

For a further description of the terms of our Amended Credit Agreement, including the provisions to calculate our U.S. and Canadian borrowing base, financial covenants requirements and events of default, see our Annual Report on Form 10-K for the year ended December 31, 2010.

New Credit Agreement, effective June 13, 2011:

On June 13, 2011, we entered into a Third Amended and Restated Credit Agreement among us, a

subsidiary of the Company that is designated as a borrower under the Canadian facility, if any (the Canadian Borrower), the lenders party thereto, Wells Fargo Bank, National Association, as the U.S. administrative agent, U.S. issuing lender and U.S. swingline lender, and the other persons from time to time party thereto (the New Credit Agreement), which amends and restates the Second Amended and Restated Credit Agreement, dated as of December 6, 2006 (the Second Amended and Restated Credit Agreement), as amended by the First Amendment to Second Amended and Restated Credit Agreement, dated as of June 29, 2007 (the First Amendment), the Second Amendment to Credit Agreement and Omnibus Amendment to Security Documents, dated as of October 9, 2007 (the Second Amendment), and the Third Amendment to Credit Agreement, Omnibus Amendment to Credit Documents and Assignment, dated as of October 13, 2009 (the Third Amendment,) and collectively with the Second Amended and Restated Credit Agreement, the First Amendment and the Second Amendment, the Amended Credit Agreement. Defined terms not otherwise described herein shall have the meanings given to them in the New Credit Agreement.

The New Credit Agreement modifies the Amended Credit Agreement by, among other things:

- changing the structure of the credit facility from an asset-based facility to a cash flow facility;
- substituting Wells Fargo Bank, National Association, for Wells Fargo Capital Finance, LLC (f/k/a Wells Fargo Foothill, LLC), as U.S. administrative agent, and appointing Wells Fargo Bank, National Association, as U.S. issuing lender and U.S. swingline lender; and
- increasing our U.S. revolving credit facility from $225,000 to $300,000 and terminating the existing Canadian revolving credit facility (subject to our option to convert and reallocate any portion of the U.S. revolving credit facility then held by HSBC Bank USA, N.A., into a Canadian revolving credit facility upon satisfaction of certain conditions, including obtaining the consent of HSBC Bank USA, N.A., to such conversion and reallocation).

Subject to certain limitations set forth in the New Credit Agreement, we have the option to determine how interest is computed by reference to either (i) the London Inter-bank Offered Rate, or LIBOR, plus an applicable margin between 2.25% and 3.00% based on the Total Debt Leverage Ratio (as defined in the New Credit Agreement), or (ii) the Base Rate (which means the higher of the Prime Rate, Federal Funds Rate plus 0.50%, or the daily one-month LIBOR plus 1.00%), plus an applicable margin between 1.25% and 2.00% based on the Total Debt Leverage Ratio (as defined in the New Credit Agreement). Advances under the Canadian revolving credit facility, if any, will bear interest as described in the New Credit Agreement. If an event of default exists or continues under the New Credit Agreement, advances may bear interest at the rates described above, plus 2.00%. Interest is payable on a quarterly basis beginning on June 30, 2011.

Additionally, the New Credit Agreement, among other things:

- permits us to effect up to two separate increases in the aggregate commitments under the credit facility, of at least $50,000 per commitment increase, and of up to $150,000 in the aggregate;
- requires us to comply with a Total Debt Leverage Ratio covenant, which prohibits us from permitting the Total Debt Leverage Ratio (as defined in the New Credit Agreement), at the end of each fiscal quarter, to be greater than 4.00 to 1.00;
- requires us to comply with a Senior Debt Leverage Ratio covenant, which prohibits us from permitting the Senior Debt Leverage Ratio (as defined in the New Credit Agreement), at the end of each fiscal quarter, to be greater than 2.50 to 1.00 and
- requires us to comply with a Consolidated Interest Coverage Ratio covenant, which prohibits us from permitting the ratio of, as of the last day of each fiscal quarter, (i) the consolidated EBITDA of Complete and its consolidated Restricted Subsidiaries (as

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defined in the New Credit Agreement), calculated for the four fiscal quarters then ended, to (ii) the consolidated interest expense of Complete and its consolidated Restricted Subsidiaries for the four fiscal quarters then ended, to be less than 2.75 to 1.00.

We were in compliance with these debt covenant requirements as of June 30, 2011.

The term of the credit facilities provided for under the New Credit Agreement will continue until the earlier of (i) June 13, 2016 or (ii) the earlier termination in whole of the U.S. lending commitments (or Canadian lending commitments, if any) as further described in the New Credit Agreement. Events of default under the New Credit Agreement remain substantially the same as under the Amended Credit Agreement.

The obligations under the U.S. portion of the New Credit Agreement are secured by first priority security interests on substantially all of the assets (other than certain excluded assets) of Complete and any Domestic Restricted Subsidiary (as defined in the New Credit Agreement), whether now owned or hereafter acquired including, without limitation: (i) all equity interests issued by any domestic subsidiary, (ii) 100% of equity interests issued by first tier foreign subsidiaries but, in any event, no more than 66% of the outstanding voting securities issued by any first tier foreign subsidiary, and (iii) the Existing Mortgaged Properties (as defined in the New Credit Agreement). Additionally, all of the obligations under the U.S. portion of the New Credit Agreement will be guaranteed by Complete and each existing and subsequently acquired or formed Domestic Restricted Subsidiary. The obligations under the Canadian portion of the New Credit Agreement, if any, will be secured by substantially all of the assets (other than certain excluded assets) of Complete and any Restricted Subsidiary (other than our Mexican subsidiary), as further described in the New Credit Agreement. Additionally, all of the obligations under the Canadian portion of the New Credit Agreement, if any, will be guaranteed by Complete as well as certain of our subsidiaries. Subject to certain limitations, we will have the right to designate certain newly acquired and existing subsidiaries as unrestricted subsidiaries under the New Credit Agreement, and the assets of such unrestricted subsidiaries will not serve as security for either the U.S. portion or the Canadian portion, if any, of the New Credit Agreement.

There were no borrowings outstanding under the New Credit Agreement as of June 30, 2011. There were letters of credit outstanding under the U.S. revolving portion of the facility totaling $22,278, which reduced the available borrowing capacity as of June 30, 2011. We incurred fees related to our letters of credit as of June 30, 2011 at 1.67% per annum. For the six months ended June 30, 2011, fees related to our letters of credit were calculated using a 360-day provision, at 3.75% per annum prior to the amendment on June 13, 2011, resulting in a weighted average interest rate of 3.55% per annum for the six-month period ended June 30, 2011. Our available borrowing capacity under the revolving credit facility at June 30, 2011 was $277,722.

We will incur unused commitment fees under the New Credit Agreement ranging from 0.375% to 0.50% based on the average daily balance of amounts outstanding. The unused commitment fees were calculated at 0.50% as of June 30, 2011. For the six months ended June 30, 2011, the weighted average interest rate associated with unused commitments was 0.96% per annum.

We recorded deferred financing fees associated with the New Credit Agreement in June 2011 totaling $2,567. These fees will be amortized to expense, along with the remaining balance of deferred financing fees associated with the prior amendments to this facility, over the term of the facility which matures in June 2016.

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

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or part of these notes on or after December 15, 2011. Additionally, we may redeem some or all of the notes prior to December 15, 2011 at a price equal to 100% of the principal amount of the notes plus a make-whole premium.

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

8. Stockholders equity:

(a) Stock-based Compensation Stock Options:

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

We calculate stock compensation expense for our stock-based compensation awards by measuring the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award, with limited exceptions, by using an option pricing model to determine fair value. A further description can be found in our Annual Report on Form 10-K as of December 31, 2010.

On January 31, 2011, 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 428,960 shares of non-vested restricted stock at a grant price of $27.94. We expect to recognize compensation expense associated with this grant of non-vested restricted stock totaling $11,982 ratably over the three-year vesting period. We granted an additional 23,500 shares of non-vested restricted stock in May 2011 and expect to recognize compensation expense associated with these grants totaling $718 ratably over the three-year vesting period. In addition, we granted 231,300 stock options to purchase shares of our common stock at an exercise price of $27.94. 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. The fair value of the stock options granted during the six months ended June 30, 2011 was determined by applying a Black-Scholes option pricing model based on the following assumptions:

Assumptions:	Six Months Ended June 30, 2011
Risk-free rate	0.96% to 1.92%
Expected term (in years)	3.7 to 5.1
Volatility	54.1%
Calculated fair value per option	$11.32 to $13.53

We calculated the expected volatility of our common stock based on our historical volatility, adjusted for certain qualitative factors, over the expected term of the options. This volatility factor was used to compute the calculation of the fair market value of stock option grants made during the six months ended June 30, 2011.

We projected a rate of stock option forfeitures based upon historical experience and management assumptions related to the expected term of the options. After adjusting for these forfeitures, we expect to recognize expense totaling $2,782 over the vesting period of these 2011 stock option grants. For the quarter and six months ended June 30, 2011, we have recognized expense related to these stock option grants totaling $232 and $386, respectively, which represents a reduction of net income before taxes. The impact on net income for the quarter and six months ended June 30, 2011 was a decrease of $146 and $243,

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respectively, with no impact on diluted earnings per share as reported. The unrecognized compensation costs related to the non-vested portion of these awards was $2,396 as of June 30, 2011 and will be recognized over the applicable remaining vesting periods.

For the quarters ended June 30, 2011 and 2010, we recognized compensation expense associated with all stock option awards totaling $591 and $593, respectively, resulting in a decrease in net income of $372 and $363, respectively. The impact of this compensation expense on earnings per share was a $0.01 reduction in diluted earnings per share for each of the quarters ended June 30, 2011 and 2010. For the six months ended June 30, 2011 and 2010, we recognized compensation expense associated with all stock option awards totaling $1,156 and $1,343, respectively, resulting in a decrease in net income of $726 and $821, respectively. This resulted in a $0.01 impact on earnings per share for the six months ended June 30, 2011 and 2010, respectively. Total unrecognized compensation expense associated with outstanding stock option awards at June 30, 2011 was $4,080 or $2,563, net of tax.

The following tables provide a roll forward of stock options from December 31, 2010 to June 30, 2011 and a summary of stock options outstanding by exercise price range at June 30, 2011:

	Options Outstanding	
	Number	Weighted Average Exercise Price
Balance at December 31, 2010	3,141,580	$ 12.68
Granted	231,300	$ 27.94
Exercised	(891,052)	$ 16.93
Cancelled		$
Balance at June 30, 2011	2,481,828	$ 12.57

	Options Outstanding			Options Exercisable		
Range of Exercise Price	Outstanding at June 30, 2011	Weighted Average Remaining Life (months)	Weighted Average Exercise Price	Exercisable at June 30, 2011	Weighted Average Remaining Life (months)	Weighted Average Exercise Price
$5.00	60,000	23	$ 5.00	60,000	23	$ 5.00
$6.41 $8.16	1,251,934	69	$ 6.55	954,457	63	$ 6.59
$11.66 $12.53	483,964	99	$ 12.47	143,765	90	$ 12.32
$15.90	61,900	79	$ 15.90	61,900	67	$ 15.90
$17.67 $19.87	155,863	67	$ 19.75	155,863	67	$ 19.75
$23.27 $24.00	140,367	58	$ 23.98	140,367	58	$ 23.98
$26.26 $27.94	276,300	108	$ 27.68	45,000	71	$ 26.35
$29.88	40,000	83	$ 29.88	40,000	83	$ 29.88
$34.19	11,500	84	$ 34.19	7,667	84	$ 34.19
	2,481,828	78	$ 12.57	1,609,019	65	$ 11.46

The total intrinsic value of stock options exercised during the quarter and six months ended June 30, 2011 was $6,625 and $15,087, respectively. The total intrinsic value of all in-the-money vested outstanding stock options at June 30, 2011 was $35,249. Assuming all stock options outstanding at June 30, 2011 were vested, the total intrinsic value of all in-the-money outstanding stock options would have been $51,991.

(b) Non-vested Restricted Stock:

We present the amortization of non-vested restricted stock as an increase in additional paid-in capital. At June 30, 2011, amounts not yet recognized related to non-vested restricted stock totaled $17,114, which represented the unamortized expense associated with awards of non-vested stock granted to employees, officers and directors under our compensation plans, including $12,669 related to grants during the six months ended June 30, 2011. We recognized compensation expense associated with non-vested restricted stock totaling $2,621 and $2,428 for the quarters ended June 30, 2011 and 2010, respectively, and $5,187 and $4,312 for the six months ended June 30, 2011 and 2010, respectively.

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The following table summarizes the change in non-vested restricted stock from December 31, 2010 to June 30, 2011:

	Non-vested Restricted Stock	
	Number	Weighted Average Grant Price
Balance at December 31, 2010	1,672,854	$ 11.12
Granted	452,460	$ 28.08
Vested	(759,450)	$ 10.45
Forfeited	(6,716)	$ 15.37
Balance at June 30, 2011	1,359,148	$ 17.12

(c) Treasury Shares:

In accordance with the provisions of the 2008 Incentive Award Plan, as amended, holders of non-vested restricted stock were given the option to either remit to us the required withholding taxes associated with the vesting of restricted stock, or to authorize us to purchase shares equivalent to the cost of the withholding tax and to remit the withholding taxes on behalf of the holder. Pursuant to this provision, we purchased the following shares of our common stock during the six months ended June 30, 2011:

Period	Shares Purchased	Average Price Paid per Share	Extended Amount
January 1 31, 2011	199,510	$ 27.45	$ 5,476
February 1 28, 2011			
March 1 31, 2011	1,374	$ 28.22	39
April 1 30, 2011	426	$ 29.72	13
May 1 31, 2011	1,065	$ 30.80	33
June 1 30, 2011	644	$ 30.90	20
	203,019		$ 5,581

9. Earnings per share:

We compute basic earnings per share by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per common and potential common share includes the weighted average of additional shares associated with the incremental effect of dilutive employee stock options and non-vested restricted stock, as determined using the treasury stock method prescribed by the Financial Accounting Standards Board (FASB) guidance on earnings per share. The following table reconciles basic and diluted weighted average shares used in the computation of earnings per share for the quarters and six months ended June 30, 2011 and 2010:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(In thousands)			
Weighted average basic common shares outstanding	77,777	76,036	77,362	75,869
Effect of dilutive securities:				
Employee stock options	1,033	553	1,080	565

Non-vested restricted stock	377	729	453	760
Weighted average diluted common and potential common shares outstanding	79,187	77,318	78,895	77,194

We excluded the impact of anti-dilutive potential common shares from the calculation of diluted weighted average shares for the quarter and six months ended June 30, 2011 and 2010. If these potential common shares were included in the calculation, the impact would have been a decrease in diluted weighted average shares outstanding of 33,491 shares and 342,931 shares for the quarters ended June 30, 2011 and 2010, respectively, and 35,458 shares and 364,171 shares for the six months ended June 30, 2011 and 2010, respectively.

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10. Segment information:

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

We have three reportable operating segments: completion and production services (C&PS), drilling services and product sales. The accounting policies of our reporting segments are the same as those used to prepare our consolidated financial statements as of June 30, 2011. Inter-segment transactions are accounted for on a cost recovery basis.

	C&PS	Drilling Services	Product Sales	Corporate	Total
Quarter Ended June 30, 2011					
Revenue from external customers	$ 491,881	$ 52,222	$ 7,864	$	$ 551,967
Inter-segment revenues	$ 25	$ 2	$ 4,012	$ (4,039)	$
Adjusted EBITDA, as defined	$ 144,931	$ 13,888	$ 1,863	$ (11,075)	$ 149,607
Depreciation and amortization	$ 43,585	$ 4,790	$ 486	$ 604	$ 49,465
Operating income (loss)	$ 101,346	$ 9,098	$ 1,377	$ (11,679)	$ 100,142
Capital expenditures	$ 86,535	$ 1,696	$ 176	$ 76	$ 88,483
Quarter Ended June 30, 2010					
Revenue from external customers	$ 310,460	$ 40,445	$ 9,340	$	$ 360,245
Inter-segment revenues	$ 165	$ 152	$ 784	$ (1,101)	$
Adjusted EBITDA, as defined	$ 84,748	$ 8,663	$ 1,250	$ (9,320)	$ 85,341
Depreciation and amortization	$ 39,770	$ 4,644	$ 561	$ 497	$ 45,472
Operating income (loss)	$ 44,978	$ 4,019	$ 689	$ (9,817)	$ 39,869
Capital expenditures	$ 25,296	$ 4,526	$ 18	$ 711	$ 30,551
As of June 30, 2011					
Segment assets	$ 1,558,878	$ 166,436	$ 35,579	$ 204,772	$ 1,965,665
Six Months Ended June 30, 2011					
Revenue from external customers	$ 928,968	$ 102,374	$ 15,842	$	$ 1,047,184
Inter-segment revenues	$ 30	$ 2	$ 6,489	$ (6,521)	$
Adjusted EBITDA, as defined	$ 266,445	$ 26,376	$ 3,077	$ (20,900)	$ 274,998
Depreciation and amortization	$ 86,842	$ 9,539	$ 1,028	$ 1,204	$ 98,613
Operating income (loss)	$ 179,603	$ 16,837	$ 2,049	$ (22,104)	$ 176,385
Capital expenditures(1)	$ 134,736	$ 3,242	$ 288	$ 467	$ 138,733

Six Months Ended June 30, 2010					
Revenue from external customers	$ 576,748	$ 75,549	$ 17,652	$	$ 669,949
Inter-segment revenues	$ 193	$ 301	$ 1,390	$ (1,884)	$
Adjusted EBITDA, as defined	$ 142,504	$ 14,082	$ 2,812	$ (18,149)	$ 141,249
Depreciation and amortization	$ 79,563	$ 9,102	$ 1,137	$ 989	$ 90,791
Operating income (loss)	$ 62,941	$ 4,980	$ 1,675	$ (19,138)	$ 50,458
Capital expenditures	$ 33,715	$ 7,364	$ 104	$ 711	$ 41,894
As of December 31, 2010					
Segment assets	$ 1,488,755	$ 170,944	$ 35,015	$ 105,862	$ 1,800,576

(1) For the six months ended June 30, 2011, capital expenditures of $138,733 represents actual cash invested of $149,072, less amounts accrued but not paid at December 31, 2010 of $20,017, plus amounts accrued but not paid at June 30, 2011 of $9,678.

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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 for the quarters and six months ended June 30, 2011 and 2010:

	Quarters Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Segment operating income	$ 100,142	$ 39,869	$ 176,385	$ 50,458
Interest expense	13,681	14,760	27,824	29,501
Interest income	(132)	(95)	(227)	(143)
Income taxes	32,088	9,533	55,349	8,191
Net income	$ 54,505	$ 15,671	$ 93,439	$ 12,909

The following table summarizes the change in the carrying amount of goodwill by segment for the six months ended June 30, 2011:

	C&PS	Drilling Services	Product Sales	Total
Balance at December 31, 2010	$ 242,569	$ 5,563	$ 2,401	$ 250,533
Acquisition (a) and other	4,463			4,463
Balance at June 30, 2011	$ 247,032	$ 5,563	$ 2,401	$ 254,996

(a) For a description of our business acquisition as of June 30, 2011, see Note 2, Business acquisition.

11. Financial instruments:

The financial instruments recognized in the balance sheet consist of cash and cash equivalents, trade accounts receivable, accounts payable and accrued liabilities, long-term debt and senior notes. The fair value of all financial instruments approximates their carrying amounts due to their current maturities or market rates of interest, except the senior notes which were issued in December 2006 with a fixed 8% coupon rate. At June 30, 2011, the fair value of these notes was $637,800 based on the published closing price.

A significant portion of our trade accounts receivable is from companies in the oil and gas industry, and as such, we are exposed to normal industry credit risks. We evaluate the credit-worthiness of our major new and existing customers based on their financial condition and generally do not require collateral. For the six months ended June 30, 2011, we had two customers who provided 18.5% and 9.3% of our total revenue.

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12. 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, individually, and in the aggregate, 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 premiums 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.

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

The following tables present the financial data required pursuant to SEC Regulation S-X Rule 3-10(f), which includes: (1) unaudited condensed consolidating balance sheets as of June 30, 2011 and December 31, 2010; (2) unaudited condensed consolidating statements of operations for the quarters and six months ended June 30, 2011 and 2010 and (3) unaudited condensed consolidating statements of cash flows for the six months ended June 30, 2011 and 2010.

Condensed Consolidating Balance Sheet

June 30, 2011

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations/ Reclassifications	Consolidated
Current assets					
Cash and cash equivalents	$ 162,248	$ 4,697	$ 27,424	$ (23,815)	$ 170,554
Accounts receivable, net	239	348,988	44,708		393,935
Inventory, net		25,925	12,665		38,590
Prepaid expenses	8,864	16,802	7,315		32,981
Income tax receivable	23,641		(1)		23,640
Current deferred tax assets	2,835				2,835
Other current assets		57			57
Total current assets	197,827	396,469	92,111	(23,815)	662,592
Property, plant and equipment, net	4,491	947,362	49,957		1,001,810
Investment in consolidated subsidiaries	1,057,702	122,559		(1,180,261)	
Inter-company receivable	521,866			(521,866)	
Goodwill	15,531	236,607	2,858		254,996
Other long-term assets, net	32,186	12,030	2,051		46,267
Total assets	$ 1,829,603	$ 1,715,027	$ 146,977	$ (1,725,942)	$ 1,965,665
Current liabilities					
Accounts payable	$ 399	$ 82,020	$ 12,205	$ (23,815)	$ 70,809
Accrued liabilities	22,275	19,885	6,460		48,620

Accrued payroll and payroll burdens	1,140	26,898	2,502		30,540
Accrued interest	2,452		6		2,458
Income taxes payable			1,106		1,106
Total current liabilities	26,266	128,803	22,279	(23,815)	153,533
Long-term debt	650,000				650,000
Inter-company payable		519,660	2,206	(521,866)	
Deferred income taxes	230,733	3,798	(80)		234,451
Other long-term liabilities	1,073	5,064	13		6,150
Total liabilities	908,072	657,325	24,418	(545,681)	1,044,134
Stockholders equity					
Total stockholders equity	921,531	1,057,702	122,559	(1,180,261)	921,531
Total liabilities and stockholders equity	$ 1,829,603	$ 1,715,027	$ 146,977	$ (1,725,942)	$ 1,965,665

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Condensed Consolidating Balance Sheet

December 31, 2010

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations/ Reclassifications	Consolidated
Current assets					
Cash and cash equivalents	$ 111,834	$ 569	$ 31,046	$ (16,768)	$ 126,681
Accounts receivable, net	696	313,936	31,016		345,648
Inventory, net		21,935	11,601		33,536
Prepaid expenses	6,388	10,980	1,332		18,700
Income tax receivable	10,164	13,298			23,462
Current deferred tax assets	2,499				2,499
Other current assets	882	502			1,384
Total current assets	132,463	361,220	74,995	(16,768)	551,910
Property, plant and equipment, net	4,730	898,013	53,285		956,028
Investment in consolidated subsidiaries	930,631	115,449		(1,046,080)	
Inter-company receivable	554,482		445	(554,927)	
Goodwill	15,531	232,144	2,858		250,533
Other long-term assets, net	29,966	10,161	1,978		42,105
Total assets	$ 1,667,803	$ 1,616,987	$ 133,561	$ (1,617,775)	$ 1,800,576
Current liabilities					
Accounts payable	$ 376	$ 82,952	$ 8,539	$ (16,768)	$ 75,099
Accrued liabilities	18,269	21,355	4,667		44,291
Accrued payroll and payroll burdens	4,353	19,325	2,890		26,568
Accrued interest	2,439	1	6		2,446
Income taxes payable	(1,043)		1,043		
Total current liabilities	24,394	123,633	17,145	(16,768)	148,404
Long-term debt	650,000				650,000
Inter-company payable		553,907	1,020	(554,927)	
Deferred income taxes	186,693	3,794	(65)		190,422
Other long-term liabilities	882	5,022	12		5,916
Total liabilities	861,969	686,356	18,112	(571,695)	994,742
Stockholders equity					
Total stockholders equity	805,834	930,631	115,449	(1,046,080)	805,834
Total liabilities and stockholders equity	$ 1,667,803	$ 1,616,987	$ 133,561	$ (1,617,775)	$ 1,800,576

Condensed Consolidated Statement of Operations

Quarter Ended June 30, 2011

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations/ Reclassifications	Consolidated

Revenue:					
Service	$	$ 510,935	$ 34,818	$ (1,650)	$ 544,103
Product		129	7,735		7,864
		511,064	42,553	(1,650)	551,967
Service expenses		320,934	27,361	(1,650)	346,645
Product expenses		(307)	5,642		5,335
Selling, general and administrative expenses	11,074	36,358	2,948		50,380
Depreciation and amortization	429	46,038	2,998		49,465
Income (loss) before interest and taxes	(11,503)	108,041	3,604		100,142
Interest expense	14,154	365	40	(878)	13,681
Interest income	(953)	(2)	(55)	878	(132)
Equity in earnings of consolidated affiliates	(71,596)	(3,276)		74,872	
Income (loss) before taxes	46,892	110,954	3,619	(74,872)	86,593
Taxes	(7,613)	39,358	343		32,088
Net income (loss)	$ 54,505	$ 71,596	$ 3,276	$ (74,872)	$ 54,505

Condensed Consolidated Statement of Operations

Quarter Ended June 30, 2010

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations/ Reclassifications	Consolidated
Revenue:					
Service	$	$ 324,310	$ 28,326	$ (1,731)	$ 350,905
Product		951	8,389		9,340
		325,261	36,715	(1,731)	360,245
Service expenses		202,968	22,327	(1,731)	223,564
Product expenses		822	6,501		7,323
Selling, general and administrative expenses	9,320	29,465	5,232		44,017
Depreciation and amortization	334	41,910	3,228		45,472
Income (loss) before interest and taxes	(9,654)	50,096	(573)		39,869
Interest expense	14,733	1,731	18	(1,722)	14,760
Interest income	(1,832)	(1)	16	1,722	(95)
Equity in earnings of consolidated affiliates	(28,001)	845		27,156	
Income (loss) before taxes	5,446	47,521	(607)	(27,156)	25,204
Taxes	(10,225)	19,520	238		9,533
Net income (loss)	$ 15,671	$ 28,001	$ (845)	$ (27,156)	$ 15,671

Condensed Consolidated Statement of Operations

Six Months Ended June 30, 2011

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations/ Reclassifications	Consolidated
Revenue:					
Service	$	$ 961,296	$ 73,308	$ (3,262)	$ 1,031,342
Product		2,076	13,766		15,842
		963,372	87,074	(3,262)	1,047,184
Service expenses		608,493	55,936	(3,262)	661,167
Product expenses		1,523	9,765		11,288
Selling, general and administrative expenses	20,900	72,869	5,962		99,731
Depreciation and amortization	858	91,495	6,260		98,613
Income (loss) before interest and taxes	(21,758)	188,992	9,151		176,385
Interest expense	28,602	1,240	80	(2,098)	27,824
Interest income	(2,232)	(2)	(91)	2,098	(227)
Equity in earnings of consolidated affiliates	(125,427)	(7,468)		132,895	
Income (loss) before taxes	77,299	195,222	9,162	(132,895)	148,788
Taxes	(16,140)	69,795	1,694		55,349

Net income (loss)	$ 93,439	$ 125,427	$ 7,468	$ (132,895)	$ 93,439

Condensed Consolidated Statement of Operations

Six Months Ended June 30, 2010

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations/ Reclassifications	Consolidated
Revenue:					
Service	$	$ 592,404	$ 63,355	$ (3,462)	$ 652,297
Product		1,926	15,726		17,652
		594,330	79,081	(3,462)	669,949
Service expenses		385,995	47,851	(3,462)	430,384
Product expenses		1,532	11,915		13,447
Selling, general and administrative expenses	18,150	58,902	7,817		84,869
Depreciation and amortization	666	83,616	6,509		90,791
Income (loss) before interest and taxes	(18,816)	64,285	4,989		50,458
Interest expense	29,445	3,439	32	(3,415)	29,501
Interest income	(3,562)	(4)	8	3,415	(143)
Equity in earnings of consolidated affiliates	(41,355)	(5,084)		46,439	
Income (loss) before taxes	(3,344)	65,934	4,949	(46,439)	21,100
Taxes	(16,253)	24,579	(135)		8,191
Net income (loss)	$ 12,909	$ 41,355	$ 5,084	$ (46,439)	$ 12,909

Condensed Consolidated Statement of Cash Flows

Six Months Ended June 30, 2011

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations/ Reclassifications	Consolidated
Cash provided by:					
Net income (loss)	$ 93,439	$ 125,427	$ 7,468	$ (132,895)	$ 93,439
Items not affecting cash:					
Equity in earnings of consolidated affiliates	(125,427)	(7,468)		132,895	
Depreciation and amortization	858	91,495	6,260		