Complete Production Services, Inc.
Form 10-Q
October 31, 2008

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

Form 10-Q

(MARK ONE)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2008

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSITION PERIOD FROM _________ TO _________.
Commission File No. 1-32858

Complete Production Services, Inc.
(Exact name of registrant as specified in its charter)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o
Indicate by check mark whether the registrant 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 þ Accelerated filer o Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ
Number of shares of the Common Stock of the registrant outstanding as of October 27, 2008: 74,952,003

INDEX TO FINANCIAL STATEMENTS
Complete Production Services, Inc.

PART I FINANCIAL INFORMATION
Item 1. Financial Statements.

COMPLETE PRODUCTION SERVICES, INC.
Consolidated Balance Sheets
September 30, 2008 (unaudited) and December 31, 2007

	2008	2007
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,543	$ 13,624
Trade accounts receivable, net	357,853	305,682
Inventory, net	38,032	29,877
Prepaid expenses	25,213	23,743
Other current assets	14,422	5,092
Current assets held for sale		50,307
Total current assets	444,063	428,325
Property, plant and equipment, net	1,115,713	1,013,190
Intangible assets, net of accumulated amortization of $8,454 and $5,762, respectively	14,808	10,606
Deferred financing costs, net of accumulated amortization of $3,716 and $2,455, respectively	12,933	14,194
Goodwill	569,092	549,130
Other long-term assets	3,866	6,264
Long-term assets held for sale		33,050
Total assets	$ 2,160,475	$ 2,054,759
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 3,841	$ 398
Accounts payable	63,683	56,407
Accrued liabilities	63,549	52,572
Accrued payroll and payroll burdens	17,366	24,050
Accrued interest	16,766	4,553
Notes payable	2,707	15,354
Taxes payable	2,560	6,506
Current liabilities of held for sale operations		9,705
Total current liabilities	170,472	169,545
Long-term debt	751,545	825,985
Deferred income taxes	154,658	126,821
Long-term liabilities of held for sale operations		2,085
Total liabilities	1,076,675	1,124,436
Commitments and contingencies		

Stockholders equity:		
Common stock, $0.01 par value per share, 200,000,000 shares authorized, 74,106,126 (2007 72,509,511) issued	741	725
Preferred stock, $0.01 par value per share, 5,000,000 shares authorized, no shares issued and outstanding		
Additional paid-in capital	610,842	581,404
Retained earnings	446,637	317,535
Treasury stock, 35,570 shares at cost	(202)	(202)
Accumulated other comprehensive income	25,782	30,861
Total stockholders equity	1,083,800	930,323
Total liabilities and stockholders equity	$ 2,160,475	$ 2,054,759

See accompanying notes to consolidated financial statements.

COMPLETE PRODUCTION SERVICES, INC.
Consolidated Statements of Operations
Quarters and Nine Months Ended September 30, 2008 and 2007 (unaudited)

	Quarter Ended September 30, 2008	Quarter Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
	(In thousands, except per share data)			
Revenue:				
Service	$ 479,996	$ 364,900	$ 1,310,807	$ 1,075,247
Product	13,237	8,505	40,689	31,194
	493,233	373,405	1,351,496	1,106,441
Service expenses	290,166	219,367	800,451	619,239
Product expenses	8,888	5,458	27,438	21,743
Selling, general and administrative expenses	50,443	42,221	141,966	133,639
Depreciation and amortization	47,695	34,185	129,983	94,514
Income before interest, taxes and minority interest	96,041	72,174	251,658	237,306
Interest expense	14,647	16,667	46,077	47,335
Interest income	(680)	(484)	(2,067)	(1,012)
Income before taxes and minority interest	82,074	55,991	207,648	190,983
Taxes	29,731	17,483	73,687	68,098
Income before minority interest	52,343	38,508	133,961	122,885
Minority interest		(283)		(227)
Income from continuing operations	52,343	38,791	133,961	123,112
Income (loss) from discontinued operations (net of tax expense of $0, $1,697, $3,865 and $5,796, respectively)	(153)	2,817	(4,859)	9,629
Net income	$ 52,190	$ 41,608	$ 129,102	$ 132,741
Earnings per share information:				
Continuing operations	$ 0.71	$ 0.54	$ 1.83	$ 1.71
Discontinued operations	(0.00)	0.04	(0.07)	0.14
Basic earnings per share	$ 0.71	$ 0.58	$ 1.76	$ 1.85
Continuing operations	$ 0.70	$ 0.53	$ 1.80	$ 1.68
Discontinued operations	(0.00)	0.04	(0.06)	0.13
Diluted earnings per share	$ 0.70	$ 0.57	$ 1.74	$ 1.81

Weighted average shares:				
Basic	73,935	72,191	73,225	71,873
Diluted	75,008	73,495	74,370	73,296

Consolidated Statements of Comprehensive Income
Quarters and Nine Months Ended September 30, 2008 and 2007 (unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2008	**2007**	**2008**	**2007**
	(In thousands)		**(In thousands)**	
Net income	$ 52,190	$ 41,608	$ 129,102	$ 132,741
Change in cumulative translation adjustment	(2,540)	6,227	(5,079)	14,079
Comprehensive income	$ 49,650	$ 47,835	$ 124,023	$ 146,820

See accompanying notes to consolidated financial statements.

COMPLETE PRODUCTION SERVICES, INC.
Consolidated Statement of Stockholders Equity
Nine Months Ended September 30, 2008 (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, 2007	72,509,511	$ 725	$ 581,404	$ 317,535	$ (202)	$ 30,861	$ 930,323
Net income				129,102			129,102
Cumulative translation adjustment						(5,079)	(5,079)
Issuance of common stock:							
Shares issued pursuant to acquisition agreement	7,234		225				225
Exercise of stock options	1,220,182	13	11,888				11,901
Expense related to employee stock options			3,898				3,898
Excess tax benefit from share-based compensation			9,109				9,109
Vested restricted stock	369,199	3	(3)				
Amortization of non-vested restricted stock			4,321				4,321
Balance at September 30, 2008	74,106,126	$ 741	$ 610,842	$ 446,637	$ (202)	$ 25,782	$ 1,083,800

See accompanying notes to consolidated financial statements.

COMPLETE PRODUCTION SERVICES, INC.
Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2008 and 2007 (unaudited)

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
	(In thousands)	
Cash provided by (used in):		
Operating activities:		
Net income	$ 129,102	$ 132,741
Items not affecting cash:		
Depreciation and amortization	131,977	97,858
Deferred income taxes	29,475	10,345
Loss on sale of discontinued operations	6,935	
Minority interest		(227)
Excess tax benefit from share-based compensation	(9,109)	(5,790)
Non-cash compensation expense	8,444	5,400
Other	4,238	6,721
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable	(30,356)	(15,030)
Inventory	(6,500)	(16,532)
Prepaid expense and other current assets	(1,417)	11,734
Accounts payable	(3,985)	(19,829)
Accrued liabilities and other	7,074	32,757
Net cash provided by operating activities	265,878	240,148
Investing activities:		
Business acquisitions, net of cash acquired	(71,823)	(40,616)
Additions to property, plant and equipment	(193,229)	(274,759)
Proceeds from sale of discontinued operations	50,150	
Collection of notes receivable	2,016	
Proceeds from disposal of capital assets	4,940	4,935
Net cash used in investing activities	(207,946)	(310,440)
Financing activities:		
Issuances of long-term debt	208,355	247,307
Repayments of long-term debt	(280,060)	(177,533)
Repayment of notes payable	(12,642)	(17,078)
Proceeds from issuances of common stock	11,901	3,412
Deferred financing fees		(200)
Excess tax benefit from share-based compensation	9,109	5,790
Net cash (used in) provided by financing activities	(63,337)	61,698
Effect of exchange rate changes on cash	324	(3,934)

Change in cash and cash equivalents	(5,081)	(12,528)
Cash and cash equivalents, beginning of period	13,624	19,874
Cash and cash equivalents, end of period	$ 8,543	$ 7,346
Supplemental cash flow information:		
Cash paid for interest, net of interest capitalized	$ 30,179	$ 31,755
Cash paid for taxes	$ 55,077	$ 56,177
Non-cash investing and financing activities:		
Debt acquired in acquisition	$ 429	$
Assets received as proceeds from the sale of disposal group	$ 7,987	$

See accompanying notes to consolidated financial statements.

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, Kansas, North Dakota, Pennsylvania, western Canada, Mexico and Southeast Asia.

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

On April 20, 2006, in connection with our initial public offering, we became subject to the reporting requirements of the Securities Exchange Act of 1934. On April 21, 2006, our common stock began trading on the New York Stock Exchange under the symbol CPX . On April 26, 2006, we completed our initial public offering.

(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 September 30, 2008 and the statements of operations and the statements of comprehensive income for the quarters and nine-month periods ended September 30, 2008 and 2007, as well as the statement of stockholders equity for the nine months ended September 30, 2008 and the statements of cash flows for the nine-month periods ended September 30, 2008 and 2007. 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, 2007. 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 2007 amounts in order to present these results on a comparable basis with amounts for 2008, including a reclassification of certain payroll benefits and related burdens. For the quarter and nine months ended September 30, 2007, we reclassified $3,834 and $9,944, respectively, from selling, general and administrative expense to cost of services. For the 2008 comparative periods, we reclassified $3,931 for the period from January 1, 2008 through June 30, 2008, with no impact on the results as reported for the quarter ended September 30, 2008. This reclassification was made to allocate payroll benefit costs to the cost of services in an effort to ensure that these costs and their impact on gross margin were aligned consistently throughout our operating units.

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 financial statement presentation for all periods presented to classify the assets and liabilities of this disposal group as held for sale and the related results of operations as discontinued operations. See Note 10 Discontinued Operations.

2. Business combinations:

On February 29, 2008, we acquired substantially all the assets of KR Fishing & Rental, Inc. for $9,464 in cash, which includes a working capital adjustment of $184, resulting in goodwill of $6,411. KR Fishing & Rental, Inc. is a provider of fishing, rental and foam unit services in the Piceance Basin and the Raton Basin, and is based in Rangely, Colorado. We believe this acquisition complements our completion and production services business in the Rocky Mountain Region.

On April 15, 2008, we acquired all the equity interests of Frac Source Services, Inc., a pressure pumping business based in Granbury, Texas, for $62,359 in cash, net of cash acquired, and recorded goodwill of $15,431. This acquisition supplements our pressure pumping business in the Barnett Shale of north Texas. 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 accounted for each of these acquisitions using the purchase method of accounting, whereby the purchase price was allocated to the fair value of net assets acquired, including intangibles and property, plant and equipment at depreciated replacement costs, with the excess recorded as goodwill. Results for these acquired businesses were included in our accounts and results of operations since the date of acquisition, and the related goodwill was allocated entirely to the completion and production services business segment. The following table summarizes our preliminary purchase price allocations for these acquisitions as of September 30, 2008, each of which is yet to be finalized:

	KR Fishing & Rental	Frac Source	Totals
Net assets acquired:			
Property, plant and equipment	$ 2,673	$ 41,172	$ 43,845
Non-cash working capital	50	(1,806)	(1,756)
Net deferred tax assets		1,031	1,031
Long-term capital lease obligations		(279)	(279)
Intangible assets	330	6,810	7,140
Goodwill	6,411	15,431	21,842
Net assets acquired	$ 9,464	$ 62,359	$ 71,823
Consideration:			
Cash, net of cash and cash equivalents acquired	$ 9,464	$ 62,359	$ 71,823

The purchase price of these acquired businesses 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. Working capital items are deemed to be acquired at fair market value.

We calculated the pro forma impact of the businesses we acquired on our operating results for the quarters and nine months ended September 30, 2008 and 2007, and determined that these acquisitions did not have a material impact on the reported results of operations. Thus, no pro forma disclosures are deemed necessary for the quarters and nine months ended September 30, 2008 and 2007.

In conjunction with the sale of a disposal group in May 2008, we received cash, as well as property, plant and equipment with a fair market value of $7,987. The receipt of this equipment has been treated as a non-cash item in the accompanying cash flow statement at September 30, 2008. To value these assets, a valuation was obtained from an independent third-party appraiser.

In October 2008, we acquired substantially all of the assets of two completion and production service companies. See Note 15 Subsequent Events.

3. Accounts receivable:

	September 30, 2008	December 31, 2007
Trade accounts receivable	$ 291,563	$ 251,361
Related party receivables	17,709	8,048
Unbilled revenue	45,022	41,334
Notes receivable	324	3,378
Other receivables	8,480	7,048
	363,098	311,169
Allowance for doubtful accounts	5,245	5,487
	$ 357,853	$ 305,682

4. Inventory:

	September 30, 2008	December 31, 2007
Finished goods	$ 20,838	$ 22,235
Manufacturing parts, materials and other	14,353	9,312
Work in process	4,003	
	39,194	31,547
Inventory reserves	1,162	1,670
	$ 38,032	$ 29,877

5. Property, plant and equipment:

September 30, 2008	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Land	$ 9,998	$	$ 9,998
Building	18,848	2,007	16,841
Field equipment	1,253,178	321,029	932,149
Vehicles	143,519	53,316	90,203
Office furniture and computers	16,146	6,424	9,722
Leasehold improvements	18,470	2,951	15,519
Construction in progress	41,281		41,281
	$ 1,501,440	$ 385,727	$ 1,115,713

Accumulated

December 31, 2007	Cost	Depreciation	Net Book Value
Land	$ 9,259	$	$ 9,259
Building	17,667	1,545	16,122
Field equipment	1,049,761	237,481	812,280
Vehicles	91,853	20,550	71,303
Office furniture and computers	12,391	4,212	8,179
Leasehold improvements	16,368	1,588	14,780
Construction in progress	81,267		81,267
	$ 1,278,566	$ 265,376	$ 1,013,190

Construction in progress at September 30, 2008 and December 31, 2007 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 nine months ended September 30, 2008, we recorded capitalized interest of $1,338 and $3,984, 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.

6. 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 of approximately $625. Of this prepaid asset, we recorded $3,257 as a long-term asset at December 31, 2007. At September 30, 2008, this note balance totaled $2,707 and was classified as a current liability. We expect to repay this note payable in full prior to December 31, 2008.

7. Long-term debt:

The following table summarizes long-term debt as of September 30, 2008 and December 31, 2007:

	2008	**2007**
U.S. revolving credit facility (a)	$ 88,091	$ 160,000
Canadian revolving credit facility (a)	13,031	12,219
8.0% senior notes (b)	650,000	650,000
Subordinated seller notes	3,450	3,450
Capital leases and other	814	714
	755,386	826,383
Less: current maturities of long-term debt and capital leases	3,841	398
	$ 751,545	$ 825,985

(a) We maintain a credit agreement related to a syndicated senior secured credit facility (the Credit Agreement). The Credit Agreement is comprised of 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) that matures in December 2011. The Credit Agreement is secured by substantially all of our assets. The Credit Agreement contains 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.

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.

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 September 30, 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%.

Borrowings under the U.S. revolving facility bore interest at rates ranging from 4.16% to 5.25%, a weighted average interest rate of 4.26%, and the Canadian revolving credit facility bore interest at 5.00% at September 30, 2008. For the nine months ended September 30, 2008, the weighted average interest rate on average borrowings under the amended Credit Agreement was 4.35%. There were letters of credit outstanding under the U.S. revolving portion of the facility totaling $37,699, which reduced the available borrowing capacity as of September 30, 2008. We incurred fees calculated at 1.25% of the total amount outstanding under letter of credit arrangements through September 30, 2008. Our available borrowing capacity under the U.S. and Canadian revolving facilities at September 30, 2008 was $234,210 and $26,969, respectively. During October 2008, we borrowed approximately $106,000 under our U.S. revolving facility to acquire two businesses. See Note 15 Subsequent Events.

(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 have a maturity of 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, commencing 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) purchase or redeem stock or subordinated debt; (6) enter into transactions with affiliates; (7) 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.

8. 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, 2007.

On January 31, 2008, 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 287,500 shares of non-vested restricted stock at a grant price of $15.90 per share. We expect to recognize compensation expense associated with this grant of non-vested restricted stock totaling $4,571 ratably over the three-year vesting period. In addition, we granted 345,000 stock options to purchase shares of our common stock at an exercise price of $15.90 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. Further, we obtained shareholder approval in May 2008 to increase the shares available for grant through our stock compensation plans. Pursuant to this approval, we issued an additional 326,556 shares of non-vested restricted stock during the nine months ended September 30, 2008, of which 313,100 shares had grant prices ranging from $23.01 to $36.22 per share and were granted to certain members of senior management and other employees and 13,456 shares had a grant price of $29.88 per share and were granted to our directors. The fair value of the stock options granted during the nine months ended September 30, 2008 was determined by applying a Black-Scholes option pricing model based on the following assumptions:

Assumptions:	**Nine Months Ended September 30, 2008**
Risk-free rate	2.47% to 3.24%
Expected term (in years)	2.2 to 5.1
Volatility	16.7% to 24.5%
Calculated fair value per option	$ 4.39 to $6.75

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 used to compute the calculation of the fair market value of these stock option grants during the second and third quarters of 2008.

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 $1,696 over the vesting period of these 2008 stock option grants. For the

quarter and nine months ended September 30, 2008, we have recognized expense related to these stock option grants totaling $141 and $339, respectively, which represents a reduction of net income before taxes. The impact on net income for the quarter and nine months ended September 30, 2008 was a reduction of $90 and $219, respectively, resulting in no impact on diluted earnings per share as reported. The unrecognized compensation costs related to the non-vested portion of these awards was $1,357 as of September 30, 2008 and will be recognized over the applicable remaining vesting periods.

For the quarters ended September 30, 2008 and 2007, we recognized compensation expense associated with all stock option awards totaling $1,332 and $851, respectively, resulting in a reduction of net income of $850 and $581, respectively, and a $0.01 reduction in diluted earnings per share for each of the quarters ended September 30, 2008 and 2007. For the nine months ended September 30, 2008 and 2007, we recognized compensation expense associated with all stock option awards totaling $3,898 and $3,110, respectively, resulting in a reduction of net income of $2,514 and $1,997, respectively, and a $0.03 in diluted earnings per share for the nine months ended September 30, 2008 and 2007, respectively. Total unrecognized compensation expense associated with outstanding stock option awards at September 30, 2008 was $6,012, or $3,728, net of tax.

The following tables provide a roll forward of stock options from December 31, 2007 to September 30, 2008 and a summary of stock options outstanding by exercise price range at September 30, 2008:

	Options Outstanding	
	Number	**Weighted Average Exercise Price**
Balance at December 31, 2007	3,730,761	$13.36
Granted	402,000	$18.06
Exercised	(1,220,181)	$ 9.75
Cancelled	(134,859)	$20.34
Balance at September 30, 2008	2,777,721	$15.30

	Options Outstanding			**Options Exercisable**		
Range of Exercise Price	**Outstanding at September 30, 2008**	**Weighted Average Remaining Life (months)**	**Weighted Average Exercise Price**	**Exercisable at September 30, 2008**	**Weighted Average Remaining Life (months)**	**Weighted Average Exercise Price**
$2.00	61,074	10	$ 2.00	61,074	10	$ 2.00
$4.48 $4.80	63,723	16	$ 4.76	63,723	16	$ 4.76
$5.00	127,865	49	$ 5.00	68,590	42	$ 5.00
$6.69	597,637	78	$ 6.69	448,222	77	$ 6.69
$11.66	302,090	85	$11.66	225,423	84	$11.66
$15.90	345,000	112	$15.90			
$17.60 $19.87	667,186	100	$19.83	141,493	100	$19.83
$22.55 $24.07	511,146	91	$23.95	267,201	91	$23.97
$26.26 $27.11	45,000	104	$26.35	15,000	104	$26.35
$29.88	40,000	116	$29.88			
$34.19	17,000	117	$34.19			

2,777,721	88	$15.30	1,290,726	76	$12.40

The total intrinsic value of stock options exercised during the quarter and nine months ended September 30, 2008 was $903 and $12,660, respectively. The total intrinsic value of all vested outstanding stock options at September 30, 2008 was $9,982. Assuming all stock options outstanding at September 30, 2008 were vested, the total intrinsic value of all outstanding stock options would have been $13,408.

(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 September 30, 2008, amounts not yet recognized related to non-vested restricted stock totaled $12,783, which represented the unamortized expense associated with awards of non-vested stock granted to employees, officers and directors under our compensation plans, including $11,567 related to grants during the nine months ended September 30, 2008. We recognized compensation expense associated with non-vested restricted stock totaling $2,070 and $819 for the quarters ended September 30, 2008 and 2007, respectively, and $4,321 and $2,290 for the nine months ended September 30, 2008 and 2007, respectively.

The following table summarizes the change in non-vested restricted stock from December 31, 2007 to September 30, 2008:

	Non-vested Restricted Stock	
	Number	Weighted Average Grant Price
Balance at December 31, 2007	625,871	$ 9.46
Granted	614,056	$23.43
Vested	(369,199)	$ 8.22
Forfeited	(24,851)	$11.36
Balance at September 30, 2008	845,877	$20.09

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 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 and nine months ended September 30, 2008 and 2007:

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(in thousands)			
Weighted average basic common shares outstanding	73,935	72,191	73,225	71,873
Effect of dilutive securities:				
Employee stock options	747	1,013	814	1,149
Non-vested restricted stock	326	291	331	274
Weighted average diluted common and potential common shares outstanding	75,008	73,495	74,370	73,296

We excluded the impact of anti-dilutive potential common shares from the calculation of diluted weighted average shares for the quarters and nine months ended September 30, 2008 and 2007. If these potential common shares were included in the calculation, the impact would have been a decrease in diluted weighted average shares outstanding of 24,160 shares and 149,827 shares for the quarters ended September 30, 2008 and 2007, respectively, and a decrease in diluted weighted average shares outstanding of 137,289 shares and 199,434 shares for the nine months ended September 30, 2008 and 2007, respectively.

10. 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 does not represent a material disposition of assets relative to our total assets as presented in the accompanying balance sheets, the disposal group does 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 will 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.

The following table summarizes operating results for the disposal group for the periods indicated:

	Quarter Ended September 30, 2007	**Period January 1, 2008 through May 19, 2008**	**Nine Months Ended September 30, 2007**
Revenue	$ 39,518	$ 59,553	$ 124,264
Income before taxes	$ 4,514	$ 3,330	$ 15,425
Net income before loss on disposal in 2008	$ 2,817	$ 2,076	$ 9,629
Net income (loss)	$ 2,817	$ (4,859)	$ 9,629

The captions related to discontinued operations in the accompanying balance sheet at December 31, 2007 were comprised of the following accounts:

		December 31, 2007
Current assets held for sale:		
Accounts receivable	$	23,003
Inventory		27,191
Other		113
	$	50,307
Long-term assets held for sale:		
Property, plant and equipment, net	$	21,505
Goodwill		11,358
Intangible assets		187

	$	33,050

Current liabilities of held for sale operations:		
Accounts payable	$	8,260
Accrued expenses		1,168
Other		277
	$	9,705

Long-term liabilities of held for sale operations:		
Long-term deferred tax liabilities and other	$	2,085
	$	2,085

11. 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, with respect to 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 September 30, 2008. Inter-segment transactions are accounted for on a cost recovery basis.

	C&PS	Drilling Services	Product Sales	Corporate	Total
Quarter Ended September 30, 2008					
Revenue from external customers	$ 417,788	$ 62,208	$ 13,237	$	$ 493,233
Inter-segment revenues	$	$ 486	$ 15,002	$ (15,488)	$
EBITDA, as defined	$ 133,229	$ 17,005	$ 3,387	$ (9,885)	$ 143,736
Depreciation and amortization	$ 41,169	$ 5,223	$ 657	$ 646	$ 47,695
Operating income (loss)	$ 92,060	$ 11,782	$ 2,730	$ (10,531)	$ 96,041
Capital expenditures	$ 51,486	$ 6,581	$ 592	$ 187	$ 58,846
Quarter Ended September 30, 2007					
Revenue from external customers	$ 312,020	$ 52,880	$ 8,505	$	$ 373,405
Inter-segment revenues	$	$ 597	$ 7,294	$ (7,891)	$
EBITDA, as defined	$ 95,493	$ 14,211	$ 2,235	$ (5,580)	$ 106,359
Depreciation and amortization	$ 29,475	$ 3,933	$ 577	$ 200	$ 34,185
Operating income (loss)	$ 66,018	$ 10,278	$ 1,658	$ (5,780)	$ 72,174
Capital expenditures	$ 64,305	$ 12,937	$ 2,338	$ 701	$ 80,281
As of September 30, 2008					
Segment assets	$ 1,799,491	$ 278,652	$ 49,589	$ 32,743	$ 2,160,475
Nine Months Ended September 30, 2008					
Revenue from external customers	$ 1,138,096	$ 172,711	$ 40,689	$	$ 1,351,496
Inter-segment revenues	$ 370	$ 758	$ 25,541	$ (26,669)	$
EBITDA, as defined	$ 352,940	$ 44,733	$ 10,209	$ (26,241)	$ 381,641
Depreciation and amortization	$ 111,897	$ 14,527	$ 1,762	$ 1,797	$ 129,983
Operating income (loss)	$ 241,043	$ 30,206	$ 8,447	$ (28,038)	$ 251,658
Capital expenditures	$ 157,865	$ 31,816	$ 2,317	$ 1,231	$ 193,229
Nine Months Ended September 30, 2007					
Revenue from external customers	$ 917,146	$ 158,101	$ 31,194	$	$ 1,106,441
Inter-segment revenues	$ 332	$ 1,754	$ 25,836	$ (27,922)	$
EBITDA, as defined	$ 297,619	$ 47,050	$ 7,215	$ (20,064)	$ 331,820
Depreciation and amortization	$ 81,307	$ 10,460	$ 1,535	$ 1,212	$ 94,514

Operating income (loss)	$ 216,312	$ 36,590	$ 5,680	$ (21,276)	$ 237,306
Capital expenditures	$ 223,216	$ 42,923	$ 6,833	$ 1,787	$ 274,759
As of December 31, 2007					
Segment assets	$ 1,651,653	$ 287,563	$ 89,492	$ 26,051	$ 2,054,759

The following table reconciles segment information for our business segments as originally reported for the quarter and nine months ended September 30, 2007, to the information revised for discontinued operations:

	Original Presentation	**Discontinued Operations**	**Revised Presentation**
Quarter Ended September 30, 2007			
Completion and production services:			
Revenue from external customers	$ 317,170	$ 5,150	$ 312,020
EBITDA, as defined	$ 97,070	$ 1,577	$ 95,493
Depreciation and amortization	29,817	342	29,475
Operating income	$ 67,253	$ 1,235	$ 66,018
Drilling services:			
Revenue from external customers	$ 60,566	$ 7,686	$ 52,880

	Original Presentation	Discontinued Operations	Revised Presentation
EBITDA, as defined	$ 16,701	$ 2,490	$ 14,211
Depreciation and amortization	4,586	653	3,933
Operating income	$ 12,115	$ 1,837	$ 10,278
Product Sales:			
Revenue from external customers	$ 35,187	$ 26,682	$ 8,505
EBITDA, as defined	$ 3,901	$ 1,666	$ 2,235
Depreciation and amortization	793	216	577
Operating income	$ 3,108	$ 1,450	$ 1,658
Nine Months Ended September 30, 2007			
Completion and production services:			
Revenue from external customers	$ 932,021	$ 14,875	$ 917,146
EBITDA, as defined	$ 302,412	$ 4,793	$ 297,619
Depreciation and amortization	82,235	928	81,307
Operating income	$ 220,177	$ 3,865	$ 216,312
Drilling services:			
Revenue from external customers	$ 179,155	$ 21,054	$ 158,101
EBITDA, as defined	$ 53,772	$ 6,722	$ 47,050
Depreciation and amortization	12,238	1,778	10,460
Operating income	$ 41,534	$ 4,944	$ 36,590
Product Sales:			
Revenue from external customers	$ 119,529	$ 88,335	$ 31,194
EBITDA, as defined	$ 14,498	$ 7,283	$ 7,215
Depreciation and amortization	2,173	638	1,535
Operating income	$ 12,325	$ 6,645	$ 5,680

We do not allocate net interest expense, tax expense or minority interest to the operating segments. The following table reconciles operating income as reported above to net income from continuing operations for the quarters and nine months ended September 30, 2008 and 2007:

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007

Segment operating income	$ 96,041	$ 72,174	$ 251,658	$ 237,306
Interest expense	14,647	16,667	46,077	47,335
Interest income	(680)	(484)	(2,067)	(1,012)
Income taxes	29,731	17,483	73,687	68,098
Minority interest		(283)		(227)
Net income from continuing operations	$ 52,343	$ 38,791	$ 133,961	$ 123,112

Changes in the carrying amount of goodwill by segment for the nine months ended September 30, 2008 are summarized below:

	C&PS	**Drilling Services**	**Product Sales**	**Total**
Balance at December 31, 2007	$ 513,704	$ 34,297	$ 12,487	$ 560,488
Impairment associated with discontinued operations (b)	(1,341)	(1,324)	(8,693)	(11,358)
Balance at December 31, 2007 (adjusted for discontinued operations)	512,363	32,973	3,794	549,130
Acquisitions	21,842			21,842
Contingency adjustment and other (a)	86			86
Foreign currency translation	(1,966)			(1,966)
Balance at September 30, 2008	$ 532,325	$ 32,973	$ 3,794	$ 569,092

(a) The contingency adjustment represents additional costs associated with acquisitions for the period from January 1, 2007 through September 30, 2008.

(b) See Note 10 Discontinued operations.

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 the 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 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:

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 September 30, 2008 and December 31, 2007; (2) unaudited condensed consolidating statements of operations for the quarters ended September 30, 2008 and 2007; (3) unaudited condensed consolidating statements of operations for the nine months ended September 30, 2008 and 2007; and (4) unaudited condensed consolidating statements of cash flows for the nine months ended September 30, 2008 and 2007.

Condensed Consolidating Balance Sheet
September 30, 2008

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations/ Reclassifications	Consolidated
Current assets					
Cash and cash equivalents	$ 3,206	$ 1,158	$ 7,277	$ (3,098)	$ 8,543
Trade accounts receivable, net	140	320,446	37,267		357,853
Inventory, net		24,570	13,462		38,032
Prepaid expenses and other current assets	12,957	24,207	2,471		39,635
Total current assets	16,303	370,381	60,477	(3,098)	444,063
Property, plant and equipment, net	4,913	1,043,217	67,583		1,115,713
Investment in consolidated subsidiaries	1,007,563	122,537		(1,130,100)	
Inter-company receivable	855,246	2,737		(857,983)	
Goodwill	82,683	453,121	33,288		569,092
Other long-term assets, net	14,624	13,407	3,576		31,607
Total assets	$ 1,981,332	$ 2,005,400	$ 164,924	$ (1,991,181)	$ 2,160,475
Current liabilities					
Current maturities of long-term debt	$	$ 3,816	$ 25	$	$ 3,841
Accounts payable	344	58,397	8,040	(3,098)	63,683
Accrued liabilities	19,895	34,800	8,854		63,549
Accrued payroll and payroll burdens		16,752	614		17,366

Accrued interest	16,693	6	67		16,766
Notes payable	2,707				2,707
Taxes payable			2,560		2,560
Total current liabilities	39,639	113,771	20,160	(3,098)	170,472
Long-term debt	738,087	361	13,097		751,545
Inter-company payable		855,246	2,737	(857,983)	
Deferred income taxes	119,807	28,459	6,392		154,658
Total liabilities	897,533	997,837	42,386	(861,081)	1,076,675
Stockholders equity					
Total stockholders equity	1,083,799	1,007,563	122,538	(1,130,100)	1,083,800
Total liabilities and stockholders equity	$ 1,981,332	$ 2,005,400	$ 164,924	$ (1,991,181)	$ 2,160,475

Condensed Consolidating Balance Sheet
December 31, 2007

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations/ Reclassifications	Consolidated
Current assets					
Cash and cash equivalents	$ 8,217	$ 5,549	$ 6,605	$ (6,747)	$ 13,624
Trade accounts receivable, net	62	276,706	28,914		305,682
Inventory, net		16,022	13,855		29,877
Prepaid expenses and other current assets	7,113	20,826	896		28,835
Current assets held for sale		50,307			50,307
Total current assets	15,392	369,410	50,270	(6,747)	428,325
Property, plant and equipment, net	4,623	953,169	55,398		1,013,190
Investment in consolidated subsidiaries	850,238	114,529		(964,767)	
Inter-company receivable	894,356	371		(894,727)	
Goodwill	82,683	418,035	48,412		549,130
Other long-term assets, net	14,804	12,321	3,939		31,064
Long-term assets held for sale		33,050			33,050
Total assets	$ 1,862,096	$ 1,900,885	$ 158,019	$ (1,866,241)	$ 2,054,759
Current liabilities					
Current maturities of long-term debt	$	$ 328	$ 70	$	$ 398
Accounts payable	1,364	53,159	8,631	(6,747)	56,407
Accrued liabilities	5,792	39,355	7,425		52,572
Accrued payroll and payroll burdens	1,278	21,555	1,217		24,050
Accrued interest	4,462		91		4,553
Notes payable	15,319	35			15,354
Taxes payable			6,506		6,506
Current liabilities of held for sale operations		9,705			9,705
Total current liabilities	28,215	124,137	23,940	(6,747)	169,545
Long-term debt	810,000	3,690	12,295		825,985
Inter-company payable		894,356	371	(894,727)	
Deferred tax liabilities	93,557	26,379	6,885		126,821
Long-term liabilities of held for sale operations		2,085			2,085
Total liabilities	931,772	1,050,647	43,491	(901,474)	1,124,436
Stockholders equity					
Total stockholders equity	930,324	850,238	114,528	(964,767)	930,323

Total liabilities and stockholders equity	$ 1,862,096	$ 1,900,885	$ 158,019	$ (1,866,241)	$ 2,054,759

Condensed Consolidated Statement of Operations
Quarter Ended September 30, 2008

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations/ Reclassifications	Consolidated
Revenue:					
Service	$	$ 444,725	$ 36,449	$ (1,178)	$ 479,996
Product		3,015	10,222		13,237
		447,740	46,671	(1,178)	493,233
Service expenses		266,314	25,030	(1,178)	290,166
Product expenses		1,915	6,973		8,888
Selling, general and administrative expenses	9,884	35,823	4,736		50,443
Depreciation and amortization	418	42,554	4,723		47,695
Income from continuing operations before interest and taxes	(10,302)	101,134	5,209		96,041
Interest expense	15,012	2,878	151	(3,394)	14,647
Interest income	(3,443)	(598)	(33)	3,394	(680)
Equity in earnings of consolidated affiliates	(64,851)	(4,229)		69,080	
Income from continuing operations before Taxes	42,980	103,083	5,091	(69,080)	82,074

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	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations/ Reclassifications	Consolidated
Taxes	(9,210)	38,079	862		29,731
Income (loss) from continuing operations	$ 52,190	$ 65,004	$ 4,229	$ (69,080)	$ 52,343
Income (loss) from discontinued operations (net of tax)		(153)			(153)
Net income (loss)	$ 52,190	$ 64,851	$ 4,229	$ (69,080)	$ 52,190

Condensed Consolidated Statement of Operations
Quarter Ended September 30, 2007

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations/ Reclassifications	Consolidated
Revenue:					
Service	$	$ 337,506	$ 28,721	(1,327)	$ 364,900
Product		227	8,278		8,505
		337,733	36,999	(1,327)	373,405
Service expenses		198,526	22,168	(1,327)	219,367
Product expenses		223	5,235		5,458
Selling, general and administrative expenses	5,218	34,379	2,624		42,221
Depreciation and amortization	213	31,298	2,674		34,185
Income from continuing operations before interest and taxes	(5,431)	73,307	4,298		72,174
Interest expense	16,769	6,150	243	(6,495)	16,667
Interest income	(6,560)	(308)	(111)	6,495	(484)
Equity in earnings of consolidated affiliates	(46,480)	(1,905)		48,385	
Income from continuing operations before Taxes	30,840	69,370	4,166	(48,385)	55,991
Taxes	(10,768)	25,707	2,544		17,483
Income (loss) from continuing operations before minority interest	41,608	43,663	1,622	(48,385)	38,508
Minority interest			(283)		(283)
Income from continuing operations	41,608	43,663	1,905	(48,385)	38,791
Income (loss) from discontinued operations (net of tax)		2,817			2,817

Net income (loss)	$ 41,608	$ 46,480	$ 1,905	$ (48,385)	$ 41,608

Condensed Consolidated Statement of Operations
Nine Months Ended September 30, 2008

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations/ Reclassifications	Consolidated
Revenue:					
Service	$	$ 1,208,286	$ 105,924	$ (3,403)	$ 1,310,807
Product		5,557	35,132		40,689
		1,213,843	141,056	(3,403)	1,351,496
Service expenses		726,303	77,551	(3,403)	800,451
Product expenses		3,831	23,607		27,438
Selling, general and administrative expenses	26,241	103,474	12,251		141,966
Depreciation and amortization	1,106	118,220	10,657		129,983
Income from continuing operations before interest and taxes	(27,347)	262,015	16,990		251,658
Interest expense	46,716	10,312	459	(11,410)	46,077
Interest income	(11,539)	(1,836)	(102)	11,410	(2,067)
Equity in earnings of consolidated affiliates	(162,182)	(13,094)		175,276	
Income from continuing operations before Taxes	99,658	266,633	16,633	(175,276)	207,648
Taxes	(29,444)	99,592	3,539		73,687
Income (loss) from continuing operations	$ 129,102	$ 167,041	$ 13,094	$ (175,276)	$ 133,961
Income (loss) from discontinued operations (net of tax)		4,859			4,859
Net income (loss)	$ 129,102	$ 162,182	$ 13,094	$ (175,276)	$ 129,102

Condensed Consolidated Statement of Operations
Nine Months Ended September 30, 2007

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations/ Reclassifications	Consolidated
Revenue:					
Service	$	$ 989,672	$ 89,055	(3,480)	$ 1,075,247
Product		1,987	29,207		31,194
		991,659	118,262	(3,480)	1,106,441
Service expenses		555,282	67,437	(3,480)	619,239
Product expenses		1,983	19,760		21,743
Selling, general and administrative expenses	20,064	104,257	9,318		133,639
Depreciation and amortization	787	86,454	7,273		94,514
Income from continuing operations before interest and taxes	(20,851)	243,683	14,474		237,306
Interest expense	47,810	18,425	916	(19,816)	47,335
Interest income	(19,940)	(629)	(259)	19,816	(1,012)
Equity in earnings of consolidated affiliates	(157,064)	(8,829)		165,893	
Income from continuing operations before Taxes	108,343	234,716	13,817	(165,893)	190,983
Taxes	(24,398)	87,281	5,215		68,098
Income (loss) from continuing operations before minority interest	132,741	147,435	8,602	(165,893)	122,885
Minority interest			(227)		(227)
Income from continuing operations	132,741	147,435	8,829	(165,893)	123,112
Income (loss) from discontinued operations (net of tax)		9,629			9,629
Net income (loss)	$ 132,741	$ 157,064	$ 8,829	$ (165,893)	$ 132,741

Condensed Consolidated Statement of Cash Flows
Nine Months Ended September 30, 2008

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations/ Reclassifications	Consolidated
Cash provided by:					
Net income	$ 129,102	$ 162,182	$ 13,094	$ (175,276)	$ 129,102
Items not affecting cash:					
Equity in earnings of consolidated affiliates	(162,182)	(13,094)		175,276	
Depreciation and amortization	1,106	120,214	10,657		131,977
Other	596	38,918	469		39,983
Changes in operating assets and liabilities, net of effect of	63,138	(88,511)	(13,460)	3,649	(35,184)

acquisitions					
Net cash provided by operating activities	31,760	219,709	10,760	3,649	265,878
Investing activities:					
Business acquisitions, net of cash acquired		(71,823)			(71,823)
Additions to property, plant and equipment	(1,231)	(177,869)	(14,129)		(193,229)
Inter-company receipts	28,001			(28,001)	
Proceeds from sale of discontinued Operations		50,150			50,150
Other		6,645	311		6,956
Net cash provided by (used for) investing Activities	26,770	(192,897)	(13,818)	(28,001)	(207,946)
Financing activities:					
Issuances of long-term debt	197,714	44	10,597		208,355
Repayments of long-term debt	(269,623)	(880)	(9,557)		(280,060)
Repayments of notes payable	(12,642)				(12,642)
Inter-company borrowings (repayments)		(30,367)	2,366	28,001	

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations/ Reclassifications	Consolidated
Proceeds from issuances of common stock	11,901				11,901
Other	9,109				9,109
Net cash provided by (used in) financing Activities	(63,541)	(31,203)	3,406	28,001	(63,337)
Effect of exchange rate changes on cash			324		324
Change in cash and cash equivalents	(5,011)	(4,391)	672	3,649	(5,081)
Cash and cash equivalents, beginning of period	8,217	5,549	6,605	(6,747)	13,624
Cash and cash equivalents, end of period	$ 3,206	$ 1,158	$ 7,277	$ (3,098)	$ 8,543

Condensed Consolidated Statement of Cash Flows
For the Nine Months Ended September 30, 2007

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries (in thousands)	Eliminations/ Reclassifications	Consolidated
Cash provided by:					
Net income	$ 132,741	$ 157,064	$ 8,829	$ (165,893)	$ 132,741
Items not affecting cash:					
Equity in earnings of consolidated affiliates	(157,064)	(8,829)		165,893	
Depreciation and amortization	787	89,798	7,273		97,858
Other	10,919	4,663	867		16,449
Changes in operating assets and liabilities, net of effect of acquisitions	47,483	(35,748)	(16,392)	(2,243)	(6,900)
Net cash provided by operating activities	34,866	206,948	577	(2,243)	240,148
Investing activities:					
Business acquisitions		(40,616)			(40,616)
Additions to property, plant and equipment	(1,787)	(264,944)	(8,028)		(274,759)
Inter-company advances	(100,296)	(11,525)		111,821	
Other		4,399	536		4,935
	(102,083)	(312,686)	(7,492)	111,821	(310,440)

Net cash used for investing activities					
Financing activities:					
Issuances of long-term debt	237,448		9,859		247,307
Repayments of long-term debt	(162,437)	(361)	(14,735)		(177,533)
Issuances (repayments) of notes payable	(17,078)				(17,078)
Inter-company borrowings (repayments)		100,278	11,543	(111,821)	
Proceeds from issuances of common stock	3,412				3,412
Other	5,590				5,590
Net cash provided by financing activities	66,935	99,917	6,667	(111,821)	61,698
Effect of exchange rate changes on cash			(3,934)		(3,934)
Change in cash and cash equivalents	(282)	(5,821)	(4,182)	(2,243)	(12,528)
Cash and cash equivalents, beginning of period	6,517	9,533	7,312	(3,488)	19,874
Cash and cash equivalents, end of period	$ 6,235	$ 3,712	$ 3,130	$ (5,731)	$ 7,346

14. Recent accounting pronouncements and authoritative literature:

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115. This pronouncement permits entities to use the fair value method to measure certain financial assets and liabilities by electing an irrevocable option to use the fair value method at specified election dates. After election of the option, subsequent changes in fair value would result in the recognition of unrealized gains or losses as period costs during the period the change occurred. SFAS No. 159 became effective on January 1, 2008. We have not elected to adopt the fair value option prescribed by SFAS No. 159 for assets and liabilities held as of September 30, 2008, but we will consider the provisions of SFAS No. 159 and may elect to apply the fair value option for assets or liabilities associated with future transactions.

In December 2007, the FASB issued SFAS No. 160, Non-controlling Interests in Consolidating Financial Statements an Amendment of ARB No. 51. This pronouncement establishes accounting and reporting standards for non-controlling interests, commonly referred to as minority interests. Specifically, this statement requires that the non-controlling interest be presented as a component of equity on the balance sheet, and that net income be presented prior to adjustment for the non-controlling interests portion of earnings with the portion of net income attributable to the parent company and the non-controlling interest both presented on the face of the statement of operations. In addition, this pronouncement provides a single method of accounting for changes in the parent s ownership interest in the non-controlling entity, and requires the parent to recognize a gain or loss in net income when a subsidiary with a non-controlling interest is deconsolidated. Additional disclosure items are required related to the non-controlling interest. This pronouncement becomes effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The statement should be applied prospectively as of the beginning of the fiscal year that the statement is adopted. However, the disclosure requirements must be applied retrospectively for all periods presented. We are currently evaluating the impact that SFAS No. 160 may have on our financial position, results of operations and cash flows.

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 becomes effective at the beginning of the first annual reporting period beginning on or after December 15, 2008, and must be applied prospectively. We are currently evaluating the impact that this statement may have on our financial position, results of operations and cash flows.

In June 2008, the FASB issued a FASB Staff Position (FSP) No. EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities, which states that unvested share-based awards which have non-forfeitable rights to participate in dividend distributions should be considered participating securities in order to calculate earnings per share in accordance with the Two-Class Method described in SFAS No. 128, Earnings per Share. This guidance becomes effective for fiscal years beginning after December 15, 2008, with retrospective application to prior periods. Early adoption is not permitted. We are currently evaluating the impact that this guidance may have 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.

15. Subsequent Events:

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 $57,000 in cash, and prepaid an additional $1,000 related to an employee retention bonus pool. The purchase price allocation associated with this acquisition has not been completed, but we expect to record goodwill related to this acquisition of approximately $27,500 in October 2008, which will be allocated

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entirely to the completion and production services business segment. We believe this acquisition expands our geographic reach into the Haynesville Shale area.

On October 4, 2008, we acquired substantially all of the assets of Appalachian Well 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, with a service area which extends through portions of Pennsylvania, West Virginia, Ohio and New York. As consideration for the purchase, we paid $49,257 in cash and issued 588,292 unregistered shares of our common stock, valued at $15.04 per share. We expect to invest an additional $6,500 to complete a frac fleet at this location, and have an option to purchase other real property for approximately $600. In addition, we have entered into an agreement under which we may be required to pay up to an additional $5,000 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, but we expect to record goodwill of approximately $29,000 in October 2008, which will be allocated entirely to the completion and production services business segment. We believe this acquisition creates a platform for future growth for our pressure pumping and other completion and production service lines in the Marcellus Shale.

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. We expect to make the payment under this agreement on or about April 16, 2009. Pursuant to this agreement, we will record a charge related to stock-based compensation during October 2008 related to the vesting of unrestricted stock and the modification of the stock options noted. We will also accrue the amount of the lump sum payment and the 2008 bonus as a current liability as of October 31, 2008. Although we have not finalized the calculation of the charge to earnings associated with the retirement of this former officer, we expect the charge to be between $2,000 and $2,500.

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 September 30, 2008 and for the quarters and nine months ended September 30, 2008 and 2007, included elsewhere herein. This discussion contains forward-looking statements based on our current expectations, assumptions, estimates and projections about us and the oil and gas industry. 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. For examples of those risks and uncertainties, see the cautionary statement contained in Item 1A. Risk Factors included in our Annual Report on Form 10-K for the year ended December 31, 2007. 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, availability of credit financing, regulatory changes and other uncertainties. 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.

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

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, Kansas, North Dakota, 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.

Product Sales. We provide oilfield service equipment and refurbishment of used equipment through our Southeast Asia 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. 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, completion and maintenance 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, completion and maintenance 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 believe there is a correlation between the number of active drilling rigs and the level of spending for exploration and development of new and existing hydrocarbon reserves by our customers in the oil and gas industry. 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 Weatherford/AESC Service Rig Count for Active Rigs, respectively.

AVERAGE RIG COUNTS

	Quarter Ended 9/30/08	Quarter Ended 9/30/07	Nine Months Ended 9/30/08	Nine Months Ended 9/30/07
BHI Rotary Rig Count:				
U.S. Land	1,910	1,717	1,806	1,683
U.S. Offshore	69	72	64	77
Total U.S	1,979	1,789	1,870	1,760
Canada	433	347	372	338
Total North America	2,412	2,136	2,242	2,098

Source: BHI
(www.BakerHughes.com.)

	Quarter Ended 9/30/08	Quarter Ended 9/30/07	Nine Months Ended 9/30/08	Nine Months Ended 9/30/07
Weatherford/AESC Service Rig Count (Active Rigs):				
United States	2,597	2,395	2,531	2,382
Canada	738	533	695	593

Total North America	3,335	2,928	3,226	2,975

Source:
Weatherford/AESC
Service Rig Count
for Active Rigs.

Outlook

Our growth strategy includes a focus on internal growth in the basins in which we currently operate and we seek to maximize our equipment utilization, add additional like-kind equipment and expand service and product offerings. In addition, we identify new basins in which to replicate this approach. We also augment our internal growth through strategic acquisitions.

Strategic acquisitions are 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 invested $9.5 million to acquire a fishing, rental and foam unit services business in February 2008, and $62.4 million, net of cash acquired, to acquire a pressure pumping business in north Texas in April 2008. In October 2008, we invested $58.0 million to acquire a well service and heavy haul business based in Arkansas, and an additional $49.3 million in cash to acquire a pressure pumping and e-line business in Pennsylvania, as well as issuing shares of our common stock as additional consideration (see Acquisitions).

During the nine months ended September 30, 2008 and 2007, we invested $193.2 million and $274.8 million, respectively, in equipment additions and other capital expenditures. We originally planned to spend approximately $150.0 million on capital expenditures for 2008 compared to actual capital expenditures in 2007 of $372.6 million. This decrease in planned capital expenditures for 2008 was due to concerns of potential equipment over-capacity in the oil and gas industry in the markets in which we serve. During recent months, we increased our projected capital expenditures budget to $250.0 million for fiscal 2008 particularly to expand into basins which we believe to have future growth potential, including the Haynesville Shale of Louisiana, the Bakken Shale area of North Dakota and the Marcellus Shale in the Appalach