NEWPARK RESOURCES INC
Form 10-K
February 29, 2012

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-K

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

**For the fiscal year ended December 31, 2011**

**OR**

¨ **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 1-2960**

# Newpark Resources, Inc.

*(Exact name of registrant as specified in its charter)*

| | |
|---|---|
| **Delaware** | **72-1123385** |
| *(State or other jurisdiction of incorporation or organization)* | *(I.R.S. Employer Identification No.)* |
| **2700 Research Forest Drive, Suite 100** | **77381** |
| **The Woodlands, Texas** | *(Zip Code)* |
| *(Address of principal executive offices)* | |

**Registrant s telephone number, including area code**

**(281) 362-6800**

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common Stock, $0.01 par value | New York Stock Exchange |

**Securities registered pursuant to Section 12(g) of the Act:**

**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No þ

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 ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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 þ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K þ

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

| | | | |
|---|---|---|---|
| Large accelerated filer þ | Accelerated filer ¨ | Non-accelerated filer ¨ | Smaller Reporting Company ¨ |
| | | (Do not check if a 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 þ

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, computed by reference to the price at which the common equity was last sold as of June 30, 2011, was $815.5 million. The aggregate market value has been computed by reference to the closing sales price on such date, as reported by The New York Stock Exchange.

As of February 15, 2012, a total of 91,744,540 shares of Common Stock, $0.01 par value per share, were outstanding.

**Documents Incorporated by Reference**

Pursuant to General Instruction G(3) to this Form 10-K, the information required by Items 10, 11, 12, 13 and 14 of Part III hereof is incorporated by reference from the registrant s definitive Proxy Statement for its 2011 Annual Meeting of Stockholders.

**NEWPARK RESOURCES, INC.**

**INDEX TO ANNUAL REPORT ON FORM 10-K**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

## CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, as amended. We also may provide oral or written forward-looking information in other materials we release to the public. Words such as will , may , could , would , anticipates , believes , estimates , expects , plans , intends , and similar expressions are intended to identify these forward statements but are not the exclusive means of identifying them. These forward-looking statements reflect the current views of our management; however, various risks, uncertainties, contingencies and other factors, some of which are beyond our control, are difficult to predict and could cause our actual results, performance or achievements to differ materially from those expressed in, or implied by, these statements, including the success or failure of our efforts to implement our business strategy.

We assume no obligation to update, amend or clarify publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by securities laws. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Annual Report might not occur.

For further information regarding these and other factors, risks and uncertainties affecting us, we refer you to the risk factors set forth in Item 1A of this Annual Report on Form 10-K.

**PART I**

**ITEM 1.** ***Business***
**General**

Newpark Resources, Inc. was organized in 1932 as a Nevada corporation. In 1991, we changed our state of incorporation to Delaware. We are a diversified oil and gas industry supplier providing products and services primarily to the oil and gas exploration ( E&P ) industry. We operate our business through three reportable segments: Fluids Systems and Engineering, Mats and Integrated Services, and Environmental Services. Our Fluids Systems and Engineering segment provides customized drilling fluids solutions to E&P customers globally, operating through four geographic regions: North America, Europe, the Middle East and Africa ( EMEA ), Latin America, and Asia Pacific. Our Mats and Integrated Services segment provides composite mat rentals, well site construction and related well site services to E&P customers in the U.S. We also sell composite mats to E&P customers outside of the U.S., and to domestic customers outside of the oil and gas industry. Our Environmental Services segment processes and disposes of waste generated by the E&P customers along the U.S. Gulf Coast.

Our principal executive offices are located at 2700 Research Forest Drive, Suite 100, The Woodlands, Texas 77381. Our telephone number is (281) 362-6800. You can find more information about us at our Internet website located at www.newpark.com. Our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and any amendments to those reports are available free of charge on or through our Internet website. These reports are available as soon as reasonably practicable after we electronically file these materials with, or furnish them to, the Securities and Exchange Commission ( SEC ). Our Code of Ethics, our Corporate Governance Guidelines, our Audit Committee Charter, our Compensation Committee Charter and our Nominating and Corporate Governance Committee Charter are also posted to the corporate governance section of our Internet website. We make our website content available for informational purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference in this Form 10-K. Information filed with the SEC may be read or copied at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C., 20549. Information on operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us.

When referring to Newpark and using phrases such as we , us and our , our intent is to refer to Newpark Resources, Inc. and its subsidiaries as a whole or on a segment basis, depending on the context in which the statements are made.

**Industry Fundamentals**

Historically, several factors have driven demand for our products and services, including the supply, demand and pricing of oil and gas commodities, which drive E&P drilling and development activity. Demand for most of our products and services is related to the level, type, depth and complexity of oil and gas drilling. The most widely accepted measure of activity for our North American operations is the Baker Hughes Rotary Rig Count. After several consecutive years of elevated North American drilling activity through 2008, the weak economic environment, the instability in the credit markets and declines in oil and natural gas commodity prices significantly impacted North American activity, reducing the average North American rig count from 2,261 in 2008 to 1,310 in 2009, before rebounding to 1,894 in 2010 and 2,298 in 2011. Outside of North America, drilling activity has remained more stable, as drilling activity in many countries is based upon longer term economic projections and multiple year drilling programs, which tend to minimize the impact of short term changes of commodity prices on overall drilling activity.

In our core North American markets, we have seen significant growth in drilling activity in deep shales and other hard rock formations with limited permeability in recent years. These formations are being exploited with advanced fracture stimulation technology, which facilitates production of oil and natural gas from these formations and drives higher drilling activities. In addition, there has been a significant shift in drilling activity mix between dry gas wells and liquid-rich or oil wells. Since 2008, the percentage of North American rigs drilling for natural gas has declined from approximately 80% of total rigs drilling to approximately 40% at the end of 2011, offset by a corresponding increase in liquid-rich or oil wells being drilled. This shift, which we believe is driven by the relative pricing of dry gas relative to oil and other liquids, has resulted in significant declines in certain regions, such as East Texas and North Louisiana, and significant increases in activity in other regions of the U.S., including North Dakota and West Texas. Also, in April 2010, the Deepwater Horizon drilling rig sank in the Gulf of Mexico after an explosion and fire, resulting in the discharge of oil from the well. Following the Deepwater Horizon oil spill, the Department of Interior of the U.S. government took several actions aimed at restricting and temporarily prohibiting certain drilling activity in the Gulf of Mexico. While the Department of Interior has since announced the formal end of the drilling moratorium placed in effect in May 2010, increased permitting requirements are applicable to both shallow water and deepwater drilling activities. As a result, drilling activity in the affected areas of the Gulf of Mexico has not yet recovered to first quarter 2010 levels, and the near-term outlook remains uncertain.

Internationally, we have seen continued growth in drilling activity, which is more heavily focused on oil, rather than natural gas exploration. The elevation of oil prices in recent years and the expectation of continued increases in world-wide demand have supported continued expansion of the international E&P activity, benefiting our operations in certain areas of Europe, North Africa and Brazil. In early 2011, several international markets in which we operate, including Tunisia and Libya experienced political unrest and our operations in Libya were temporarily shut down and currently remain idle. While the conditions have since improved in these markets, the near term outlook for operations in these areas remains uncertain and we cannot predict when our operations in Libya will restart.

**Reportable Segments**

***Fluids Systems and Engineering***

Our Fluids Systems and Engineering business offers customized solutions, including highly technical drilling projects involving complex subsurface conditions such as horizontal, directional, geologically deep or deep water drilling. These projects require increased monitoring and critical engineering support of the fluids system during the drilling process. We provide drilling fluids products and technical services to markets in North America, EMEA, Latin America, and following our April 2011 acquisition, the Asia Pacific region. We also provide completion services and equipment rental to customers in Oklahoma and Texas.

We have industrial mineral grinding operations for barite, a critical raw material in drilling fluids products, which serve to support our activity in the drilling fluids market. We grind barite and other industrial minerals at facilities in Houston and Corpus Christi, Texas, New Iberia, Louisiana and Dyersburg, Tennessee. We use the resulting products in our drilling fluids business, and also sell them to third party users, including other drilling fluids companies. We also sell a variety of other minerals, principally to third party industrial (non oil and gas) markets, from our main plant in Houston, Texas and from the plant in Dyersburg, Tennessee.

*Raw Materials* We believe that our sources of supply for materials and equipment used in our drilling fluids business are adequate for our needs, however, we have recently experienced significant cost increases on barite ore. Our specialty milling operation is our primary supplier of barite used in our drilling fluids business. Our mills obtain raw barite ore under supply agreements from foreign sources, primarily China and India. During 2011, there has been a significant increase in world-wide demand for barite ore, and as result, we have experienced significant cost increases. In response to this development, we continue our efforts to maintain our profitability by identifying other economical sources of barite ore and adjusting our customer pricing to offset the inflationary cost increases that we are currently experiencing. We obtain other materials used in the drilling fluids business from various third party suppliers. We have encountered no serious shortages or delays in obtaining raw materials.

*Technology* We seek patents and licenses on new developments whenever we believe it creates a competitive advantage in the marketplace. We own the patent rights to a family of high-performance water-based products, which we market as DeepDrill® and FlexDrill™ systems. In addition, in 2010 we introduced Evolution™, a new water-based system which was designed to enhance drilling performance and provide environmental benefits. Proprietary technology and systems is an important aspect of our business strategy. We also rely on a variety of unpatented proprietary technologies and know-how in many of our applications. We believe that our reputation in the industry, the range of services we offer, ongoing technical development and know-how, responsiveness to customers and understanding of regulatory requirements are of equal or greater competitive significance than our existing proprietary rights.

*Competition* We face competition from larger companies, including Schlumberger, Halliburton and Baker Hughes, which compete vigorously on fluids performance and/or price. In addition, these companies have broad product and service offerings in addition to their drilling fluids. We also have smaller regional competitors competing with us mainly on price and local relationships. We believe that the principal competitive factors in our businesses include a combination of price, reputation, technical proficiency, reliability, quality, breadth of services offered and experience. We believe that our competitive position is enhanced by our proprietary products and services.

*Customers* Our customers are principally major integrated and independent oil and gas E&P companies operating in the markets that we serve. During 2011, approximately 48% of segment revenues were derived from the 20 largest segment customers, and 67% of segment revenues were generated domestically. Typically, we perform services either under short-term standard contracts or under longer term master service agreements. As most agreements with our customers can be terminated upon short notice, our backlog is not significant. We do not derive a significant portion of our revenues from government contracts. See *Note 12 Segment and Related Information in Item 8. Financial Statements and Supplementary Data* for additional information on financial and geographic data.

***Mats and Integrated Services***

We provide mat rentals, location construction and related well site services to E&P customers in the Northeast U.S., onshore U.S. Gulf Coast, and Rocky Mountain regions, and mat rentals to the utility industry in the U.K. These mats provide environmental protection and ensure all-weather access to sites with unstable soil conditions.

We manufacture our DuraBase™ composite mat system for sales as well as for use in our domestic and international rental operations. Our marketing efforts for this product remain focused in principal oil and gas industry markets which include the Asia Pacific, Latin America, EMEA, as well as markets outside the E&P sector in the U.S. and Europe. We believe these mats have worldwide applications outside our traditional oilfield market, primarily in infrastructure construction, maintenance and upgrades of electric utility transmission lines, military logistics and as temporary roads for movement of oversized or unusually heavy loads.

*Raw Materials* We believe that our sources of supply for materials and equipment used in our business are adequate for our needs. We are not dependent upon any one supplier and we have encountered no serious shortages or delays in obtaining any raw materials. The resins, chemicals and other materials used to manufacture composite mats are widely available. Resin is the largest raw material component in the manufacturing of our composite mat products.

*Technology* We have obtained patents related to several of the components utilized in our DuraBase mat system as well as our composite mat manufacturing process. Using proprietary technology and systems is an important aspect of our business strategy. We believe that these products provide us with a distinct advantage over our competition. We believe that our reputation in the industry, the range of services we offer, ongoing technical development and know-how, responsiveness to customers and understanding of regulatory requirements also have competitive significance in the markets we serve.

*Competition* Our market is fragmented and competitive, with many competitors providing various forms of site preparation products and services. We provide DuraBase composite mat systems to many customers, both domestic and international. The mat sales component of our business is not as fragmented as the oilfield services segment with only a few competitors providing various alternatives to our DuraBase mat products. This is due to many factors, including large capital start-up costs and proprietary technology associated with this product. We believe that the principal competitive factors in our businesses include product capabilities, price, reputation, and reliability. We also believe that our competitive position is enhanced by our proprietary products, services and experience.

*Customers* Our customers are principally integrated and independent oil and gas E&P companies operating in the markets that we serve. During 2011, approximately 82% of our segment revenues were derived from the 20 largest segment customers, of which, the largest customer represented 26% of our segment revenues. Typically, we perform services either under short-term contracts or rental service agreements. As most agreements with our customers are cancelable upon short notice, our backlog is not significant. We do not derive a significant portion of our revenues from government contracts. See *Note 12 Segment and Related Information* in Item 8. *Financial Statements and Supplementary Data* for additional information on financial and geographic data.

***Environmental Services***

We process and dispose of waste generated by our oil and gas customers that is treated as exempt under the Resource Conservation and Recovery Act ( RCRA ). Primary revenue sources include onshore and offshore drilling waste management as well as reclamation services. Additionally, we provide disposal services in the West Texas market. We operate six receiving and transfer facilities located along the U.S. Gulf Coast. E&P waste is collected at the transfer facilities from drilling and production operations located offshore, onshore and within inland waters. Waste is accumulated at the transfer facilities and moved by barge through the Gulf Intracoastal Waterway to our processing and transfer facility at Port Arthur, Texas, and, if not recycled, is trucked to injection disposal facilities. We also recycle a portion of the material received and deliver it to municipal landfill facilities for application as a commercial product. Any remaining material is injected, after further processing, into environmentally secure geologic formations, effecting a permanent isolation of the material from the environment.

Under permits from Texas state regulatory agencies, we currently operate a 50-acre injection well facility in Jefferson County, Texas and an additional facility at a 400-acre site near Fannett, Texas. The Fannett site was placed in service in September 1995 and is our primary facility for disposing of E&P waste. Utilizing this same technology, we also receive and dispose of non-hazardous industrial waste principally from generators in the U.S. Gulf Coast market, including refiners, manufacturers, service companies and industrial municipalities that produce waste that is not regulated under RCRA. These non-hazardous waste streams are injected into a separate well utilizing the same low-pressure injection technology.

We are licensed to process E&P waste contaminated with naturally occurring radioactive material ( NORM ). We currently operate under a license that authorizes us to inject NORM directly into dedicated disposal wells at our Jefferson County facility. For more information on NORM, please refer to the discussion under Environmental Regulation below. We also dispose of non-hazardous industrial waste.

*Technology* We use proprietary technology to dispose of E&P waste by low-pressure injection into unique geologic structures deep underground. We have patents covering our waste processing and injection operations which expire in 2014. We do not expect these expirations to have an impact on our operations. Our injection technology is distinguished from conventional methods in that it utilizes very low pressure to move the waste into the injection zone.

*Competition* Our competition in this business consists of one large independent, R360 Environmental Solutions, and several smaller companies which utilize a variety of disposal methods and generally serve specific geographic markets. In addition, we face competition with our major customers, who continually re-evaluate their decision to use internal disposal methods, or a third-party disposal company, such as ours. We believe that the principal competitive factors in our businesses include price, reputation, location in relation to customer activity and reliability. We believe that we compete effectively on the basis of these factors.

*Customers* Our customers are principally integrated and independent oil and gas E&P companies operating in the markets that we serve. During 2011, approximately 59% of our segment revenues were derived from the 20 largest segment customers, of which, the largest customer represented 19% of our segment revenues. All of our segment revenues are generated domestically. Typically, we perform services either under short-term standard contracts or under longer term service agreements. As most agreements with our customers are cancelable upon short notice, our backlog is not significant. We do not derive a significant portion of our revenues from government contracts. See *Note 12 Segment and Related Information* in Item 8. *Financial Statements and Supplementary Data* for additional information on financial and geographic data.

**Employees**

At January 31, 2012, we employed 2,118 full and part-time personnel, none of which are represented by unions. We consider our relations with our employees to be satisfactory.

**Environmental Regulation**

We seek to comply with all applicable legal requirements concerning environmental matters. Our environmental services business processes and disposes of several types of non-hazardous waste. The non-hazardous wastes handled by our environmental services business are generally described as follows:

*E&P Waste*. E&P waste typically contains levels of oil and grease, salts, dissolved solids and heavy metals within limits defined by state regulations. E&P waste also includes soils that have become contaminated by these materials.

*NORM*. NORM is present throughout the earth s crust at very low levels. Radium can co-precipitate with scale in the production stream as it is drawn to the surface and encounters a pressure or temperature change in the well tubing or production equipment. This scale contains radioactive elements that can become concentrated on tank bottoms or at water discharge points at production facilities.

*Non-hazardous Industrial Waste*. This category of waste is generated by industries not associated with the exploration or production of oil and gas. This includes refineries and petrochemical plants.

Our business is affected by governmental regulations relating to the oil and gas industry in general, as well as environmental, health and safety regulations that have specific application to our business. Our activities are impacted by various federal and state regulatory agencies, and provincial pollution control, health and safety programs that are administered and enforced by regulatory agencies. While our business activities were not directly subject to the drilling moratorium and increased permitting requirements imposed during 2010 following the Deepwater Horizon accident, both our drilling fluids and environmental services segments were impacted by these regulatory actions. Although the Department of Interior has since announced the formal end of the drilling moratorium, increased permitting requirements are applicable to both shallow water and deepwater drilling activities.

Additionally, our business exposes us to environmental risks. For example, our environmental services business routinely handles, stores and disposes of non-hazardous regulated materials and waste. We could be held liable for improper cleanup and disposal based upon statute, negligence, strict liability, contract or otherwise. As is common in the oil and gas industry, we often are required contractually to indemnify our customers or other third-parties against certain risks related to the services we perform, including damages stemming from environmental contamination.

We have implemented various procedures designed to ensure compliance with applicable regulations and reduce the risk of damage or loss. These include specified handling procedures and guidelines for regulated waste, ongoing employee training and monitoring and maintaining insurance coverage.

We also employ a corporate-wide web-based health, safety and environmental management system ( HSEMS ), which is ISO 14001:2004 compliant. The HSEMS is composed of modules designed to capture information related to the planning, decision-making, and general operations of environmental regulatory activities within our operations. We also use the HSEMS to capture the information generated by regularly scheduled independent audits that are done to validate the findings of our internal monitoring and auditing procedures.

**ITEM 1A.** ***Risk Factors***

The following summarizes the most significant risk factors to our business. Our success will depend, in part, on our ability to anticipate and effectively manage these and other risks. Any of these risk factors, either individually or in combination, could have significant adverse impacts to our results of operations and financial condition, or prevent us from meeting our profitability or growth objectives.

***Risks Related to the Availability of Raw Materials and Skilled Personnel***

Our ability to provide products and services to our customers is dependent upon our ability to obtain the raw materials and qualified personnel necessary to operate our business.

Barite is a naturally occurring mineral that constitutes a significant portion of our drilling fluids systems. We currently secure the majority of our barite ore from foreign sources, primarily China and India. The availability and cost of barite ore is dependent on factors beyond our control including transportation, political priorities and government imposed export fees in China as well as natural disasters such as the 2008 earthquake in Sichuan Province, China. During 2011, there has been a significant increase in world-wide demand for barite ore, and as result, we have experienced significant cost increases in barite ore sourced from China. Our operating costs in future periods may continue to increase as a result of the increased demand in barite ore and we may be unable to offset these cost increases with customer pricing, which may result in a reduction in future profitability. Further, the future supply of barite ore from existing sources could be inadequate to meet the current market demand, which could ultimately result in a reduction in industry activity, or our inability to meet our customer s needs.

Our business is also highly dependent on our ability to attract and retain highly-skilled engineers, technical sales and service personnel. The market for these employees is very competitive, and if we cannot attract and retain quality personnel, our ability to compete effectively and to grow our business will be severely limited. Also, a significant increase in the wages paid by competing employers could result in a reduction in our skilled labor force or an increase in our operating costs.

***Risks Related to the Impact of Restrictions on Offshore Drilling Activity in the Gulf of Mexico***

In April 2010, the Deepwater Horizon drilling rig sank in the Gulf of Mexico after an explosion and fire, resulting in the discharge of oil from the well. Following the Deepwater Horizon oil spill, the Department of Interior of the U.S. government took several actions aimed at restricting and temporarily prohibiting certain drilling activity in the Gulf of Mexico. While the Department of Interior has since announced the formal end of the drilling moratorium placed in effect in May 2010, increased permitting requirements are applicable to both shallow water and deepwater drilling activities. As a result, drilling activity in the affected areas of the Gulf of Mexico have not yet recovered to first quarter 2010 levels, and the near-term outlook remains uncertain.

In addition to the recent restrictions, we cannot predict whether changes in laws and regulations concerning operations in the Gulf of Mexico, or more generally throughout the U.S. will be enacted. Significant changes in regulations regarding future exploration and production activities in the Gulf of Mexico or other government or regulatory actions could reduce drilling and production activity, or increase the costs of our services, which could have a material adverse impact on our business.

***Risks Related to our Customer Concentration and Cyclical Nature of the E&P Industry***

We derive a significant portion of our revenues from companies in the E&P industry, and our customer base is highly concentrated in major integrated and independent oil and gas E&P companies operating in the markets that we serve. In 2011, approximately 44% of our consolidated revenues were derived from our 20 largest customers. While no single customer accounted for more than 10% of our consolidated revenues, one customer in our mats and integrated services segment accounted for 26% of segment revenues. The E&P industry is historically cyclical, with levels of activity generally affected by the following factors:

- current oil and natural gas prices and expectations about future prices
- the cost to explore for, produce and deliver oil and gas
- the discovery rate for new oil and gas reserves
- the ability of oil and gas companies to raise capital
- domestic and international political, military, regulatory and economic conditions

government regulations regarding environmental protection, taxation, price controls and product allocation

Because of the cyclical nature of our industry and our customer concentration, our quarterly and annual operating results have fluctuated significantly in recent years and may continue to fluctuate in future periods. A prolonged decline in industry drilling rig activity or the loss of any of our large customers could materially affect the demand for our services. Because our business has high fixed costs, including significant facility and personnel expenses, downtime or low productivity due to reduced demand can have significant adverse impact on our profitability.

***Risk Related to our Market Competition***

We face competition in the Fluids Systems and Engineering business from larger companies, which compete vigorously on fluids performance and/or price. In addition, these companies have broad product and service offerings in addition to their drilling fluids. We also have smaller regional competitors competing with us mainly on price and local relationships. Our competition in the Mats and Integrated Services business is very fragmented and competitive, with nine to ten competitors providing various forms of mat products and services. Competition in the Environmental Services market could increase as the industry continues to develop, which could put downward pressure on our margins. We also face competition from efforts by oil and gas producing customers to improve their own methods of disposal and waste elimination.

***Risks Related to the Cost and Continued Availability of Borrowed Funds***

We employ borrowed funds as an integral part of our long-term capital structure and our future success is dependent upon continued access to borrowed funds to support our operations. The availability of borrowed funds on reasonable terms is dependent on the condition of credit markets and financial institutions from which these funds are obtained. Adverse events in the financial markets, such as those experienced in recent years, may significantly reduce the availability of funds, which may have an adverse effect on our cost of borrowings and our ability to fund our business strategy. Adverse events in the financial markets may also negatively impact our customers, as many of them finance their drilling and production operations through borrowed funds. The reduced availability and increased cost of borrowing could cause our customers to reduce their spending on drilling programs, thereby reducing demand and potentially pricing for our products and services.

Our ability to meet our debt service requirements and the continued availability of funds under our existing or future credit agreements is dependent upon our ability to continue generating operating income and remain in compliance with the covenants in our credit agreements. This, in turn, is subject to the volatile nature of the E&P industry, and to competitive, economic, financial and other factors that are beyond our control.

***Risks Related to International Operations***

We have significant operations outside of the United States, including certain areas of Canada, EMEA, Brazil, and Asia Pacific. In 2011, these international operations generated approximately 28% of our consolidated revenues. In addition, we may seek to expand to other areas outside the United States in the future. International operations are subject to a number of risks and uncertainties, including:

- difficulties and cost associated with complying with a wide variety of complex foreign laws, treaties and regulations
- unexpected changes in regulatory environments or tax laws
- legal uncertainties, timing delays and expenses associated with tariffs, export licenses and other trade barriers
- difficulties enforcing agreements and collecting receivables through foreign legal systems
- risks associated with the Foreign Corrupt Practices Act and other similar U.S. laws applicable to our operations in international markets
- exchange controls or other limitations on international currency movements

sanctions imposed by the U.S. government to prevent us from engaging in business in certain countries

inability to preserve certain intellectual property rights in the foreign countries in which we operate

our inexperience in new international markets

fluctuations in foreign currency exchange rates

political and economic instability

In addition, several of the markets in which we operate, including Italy, Romania, and Hungary are currently experiencing economic uncertainties, which could negatively impact our operations and profitability

In 2011, several international markets in which we operate, including Tunisia, Egypt and Libya experienced political unrest, which negatively impacted our operating results, including the temporary shut-down of our operations in Libya.

***Risks Related to Legal and Regulatory Matters, Including Environmental Regulations***

We are responsible for complying with numerous federal, state and local laws, regulations and policies that govern environmental protection, zoning and other matters applicable to our current and past business activities, including the activities of our former subsidiaries. Failure to remain compliant with these laws and regulations may result in fines, penalties, costs of cleanup of contaminated sites and site closure obligations, or other expenditures. Further, any changes in the current legal and regulatory environment could impact industry activity and the demands for our products and services, the scope of products and services that we provide, or our cost structure required to provide our products and services.

We believe that the demand for our services in the Environmental Services business is directly related to regulation of E&P waste. In particular, E&P waste is currently exempt from the principal federal statute governing the handling of hazardous waste. In recent years, proposals have been made to rescind this exemption. If the exemption covering this type of E&P waste is repealed or modified, or if the regulations interpreting the rules regarding the treatment or disposal of E&P waste or NORM waste were changed, it could have a material adverse effect on this business.

The markets for our products and services are dependent on the continued exploration for and production of fossil fuels (predominantly oil and natural gas). In December 2009, the U.S. Environmental Protection Agency ( EPA ) published findings that the emissions of carbon dioxide, methane and other greenhouse gases are contributing to the warming of the Earth s atmosphere and other climatic changes, presenting an endangerment to human health and the environment. Further, federal legislation to reduce emissions of greenhouse gases has been considered and many states have taken measures to reduce greenhouse gas emissions. The EPA has adopted regulations that potentially limit greenhouse gas emissions and impose reporting obligations on large greenhouse gas emission sources. In addition, the EPA has proposed rules that could require reduction of certain air emissions during exploration and production of oil and gas. To the extent that laws and regulations enacted as part of climate change legislation increase the costs of drilling for or producing such fossil fuels, or reduce the demand for fossil fuels, such legislation could have a material adverse impact on our operations and profitability.

Hydraulic fracturing is an increasingly common practice used by E&P operators to stimulate production of hydrocarbons, particularly from shale oil and gas formations in the United States. The process of hydraulic fracturing, which involves the injection of sand laden fluids into oil and gas bearing zones, has come under increasing scrutiny from a variety of regulatory agencies, including the EPA and various state authorities. Several states have adopted regulations requiring operators to identify the chemicals used in fracturing operations. The EPA has commenced a study of the potential impact of hydraulic fracturing on drinking water, with the preliminary results expected to be released in 2012. Further, the EPA has announced plans to develop effluent limitations associated with wastewater generated by hydraulic fracturing. To the extent that any of these ongoing studies or initiatives lead to regulations which have the effect of limiting the use or availability of hydraulic fracturing, such developments could have a significant negative impact on the drilling activity levels of our customers, which, in turn, could have a material adverse effect on our business, results of operations or financial condition.

***Risks Related to the Inherent Limitations of Insurance Coverage***

While we maintain liability insurance, this insurance is subject to coverage limitations. Specific risks and limitations of our insurance coverage include the following:

- self-insured retention limits on each claim, which are our responsibility
- exclusions for certain types of liabilities and limitations on coverage for damages resulting from pollution
- coverage limits of the policies, and the risk that claims will exceed policy limits
- the financial strength and ability of our insurance carriers to meet their obligations under the policies

In addition, our ability to continue to obtain insurance coverage on commercially reasonable terms is dependent upon a variety of factors impacting the insurance industry in general, which are outside our control.

Any of the issues noted above, including insurance cost increases, uninsured or underinsured claims, or the inability of an insurance carrier to meet their financial obligations could have a material adverse effect on our profitability.

***Risks Related to Potential Impairments of Long-lived Intangible Assets***

As of December 31, 2011, our consolidated balance sheet includes $72.0 million in goodwill and $20.9 million of intangible assets, net. Goodwill and indefinite-lived intangible assets are tested for impairment annually, or more frequently as the circumstances require, using a combination of market multiple and discounted cash flow approaches. In completing this annual evaluation during the fourth quarter of 2011, we determined that no reporting unit has a fair value below its net carrying value, and therefore, no impairment is required. However, if the financial performance or future projections for our operating segments deteriorate from current levels, a future impairment of goodwill or indefinite-lived intangible assets may be required, which would negatively impact our financial results, in the period of impairment.

***Risks Related to Technological Developments in our Industry***

The market for our products and services is characterized by continual technological developments that generate substantial improvements in product functions and performance. If we are not successful in continuing to develop product enhancements or new products that are accepted in the marketplace or that comply with industry standards, we could lose market share to competitors, which would negatively impact our results of operations and financial condition.

We hold U.S. and foreign patents for certain of our drilling fluids components and our mat systems. In our Environmental Services business, we also hold U.S. patents on certain aspects of our system to process and dispose of E&P waste, including E&P waste that is contaminated with NORM. However, these patents are not a guarantee that we will have a meaningful advantage over our competitors, and there is a risk that others may develop systems that are substantially equivalent to those covered by our patents. If that were to happen, we would face increased competition from both a service and a pricing standpoint. In addition, costly and time-consuming litigation could be necessary to enforce and determine the scope of our patents and proprietary rights. It is possible that future innovation could change the way companies drill for oil and gas, reduce the amount of waste that is generated from drilling activities or create new methods of disposal or new types of drilling fluids. This could reduce the competitive advantages we may derive from our patents and other proprietary technology.

***Risks Related to Severe Weather, Particularly in the U.S. Gulf Coast***

Approximately 24% of our consolidated revenue in 2011 was generated in market areas in the U.S. Gulf of Mexico and related near-shore areas, which are susceptible to hurricanes and other adverse weather events, such as those which occurred in 2005 and 2008. These weather events can disrupt our operations and result in damage to our properties, as well as negatively impact the activity and financial condition of our customers. Our business may be adversely affected by these and other negative effects of future hurricanes or other adverse weather events.

***Risks Related to Capital Investments and Business Acquisitions***

Our ability to successfully execute our business strategy will depend, among other things, on our ability to make capital investments and acquisitions which provide us with financial benefits. Our 2012 capital expenditures are expected to be approximately $50-$60 million, including additional investments in our manufacturing and research and development facilities, expansion of our field equipment, as well as additions to our composite mat rental fleet. These anticipated investments, along with any future investments, are subject to a number of risks and uncertainties, including:

- incorrect assumptions regarding the future benefits or results from our capital investments, any of acquired operations or assets

- failure to complete a planned acquisition transaction or to successfully integrate the operations or management of any acquired businesses or assets in a timely manner

- diversion of management s attention from existing operations or other priorities

- unanticipated disruptions to our business associated with the implementation of our enterprise-wide operational and financial system

- failure of new enterprise-wide operational and financial system to function as intended

Any of the factors above could have an adverse effect on our business, financial condition or results of operations.

***Risks Related to Fluctuations in the Market Value of our Common Stock***

The market price of our common stock may fluctuate due to a number of factors, including the general economy, stock market conditions, general trends in the E&P industry, announcements made by us or our competitors, and variations in our operating results. Investors may not be able to predict the timing or extent of these fluctuations.

**ITEM 1B.** ***Unresolved Staff Comments***

None

**ITEM 2.** ***Properties***

We lease office space to support our operating segments as well as our corporate offices. This leased space is located in The Woodlands and Houston, Texas, Lafayette, Louisiana, Calgary, Alberta, Rome, Italy and Rio de Janeiro, Brazil. We also own office space in Oklahoma City, Oklahoma and Perth, Australia. All material domestic owned properties are subject to our Second Amended and Restated Credit Agreement ( Credit Amendment ).

*Fluids Systems & Engineering.* We own six warehouse facilities and have 21 leased warehouses and seven contract warehouses to support our customers and operations in the U.S. We own two warehouse facilities in Western Canada to support our Canadian operations. Additionally, we lease 20 warehouses and own one warehouse in the EMEA region, lease seven warehouses in Brazil, and own one warehouse and lease 11 warehouses in the Asia Pacific region to support our international operations.

We operate four specialty product grinding facilities in the U.S. These facilities are located in Houston, Texas on approximately 18 acres of owned land, in New Iberia, Louisiana on 15.7 acres of leased land, in Corpus Christi, Texas on 6 acres of leased land, and in Dyersburg, Tennessee on 13.2 acres of owned land.

*Mats & Integrated Services.* We own approximately 41,000 square feet of office and industrial space on 18 acres of land in Carencro, Louisiana, which houses manufacturing facilities for this segment. We also lease five sites, throughout Texas, Louisiana, Colorado, and Pennsylvania which serve as bases for our well site service activities. Additionally, we own six facilities which are located in Louisiana, Texas, and Colorado to support field operations.

*Environmental Services.* We lease a 4.6 acre E&P waste processing and transfer facility in Port Arthur, Texas. We own three injection disposal sites located in Jefferson County, Texas with two of those properties immediately adjacent to each other, one 47 acre site for NORM disposal with five caprock injection wells and a 130 acre site for our industrial injection operation with two caprock injection wells. The remaining site consists of our nonhazardous oilfield waste processing and injection operations. This site is on 400+ acres and has 11 caprock injection wells and a disposal cavern. In addition, we own three facilities in West Texas on a total of approximately 80 acres of land. Additionally, we have six leased receiving facilities to support our injection and waste disposal services.

**ITEM 3.** ***Legal Proceedings***

In the ordinary course of conducting our business, we become involved in litigation and other claims from private party actions, as well as judicial and administrative proceedings involving governmental authorities at the federal, state and local levels. In the opinion of management, any liability in these matters should not have a material effect on our consolidated financial statements.

**ITEM 4.** ***Mine Safety Disclosures***

The information concerning mine safety violations and other regulatory matters required by section 1503 (a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95.1 of this Annual Report on Form 10-K, which is incorporated by reference.

## PART II

**ITEM 5.** ***Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Our common stock is traded on the New York Stock Exchange under the symbol NR.

The following table sets forth the range of the high and low sales prices for our common stock for the periods indicated:

| Period | High | Low |
|---|---|---|
| 2011 | | |
| Fourth Quarter | $ 9.87 | $ 5.19 |
| Third Quarter | $ 10.09 | $ 6.07 |
| Second Quarter | $ 10.00 | $ 6.60 |
| First Quarter | $ 7.99 | $ 5.52 |
| 2010 | | |
| Fourth Quarter | $ 8.90 | $ 5.12 |
| Third Quarter | $ 9.50 | $ 5.97 |
| Second Quarter | $ 8.05 | $ 5.18 |
| First Quarter | $ 5.85 | $ 3.60 |

As of February 1, 2012, we had 1,672 stockholders of record as determined by our transfer agent.

During 2008, our Board of Directors approved a plan authorizing our repurchase of up to $25 million of outstanding common stock, of which $9.9 million remains available. No repurchases were made under this program during 2009 and 2010 and we no longer intend to purchase shares under this program. In February 2012, our Board of Directors authorized a new stock repurchase program of up to $50 million of outstanding common stock. We have not made any repurchases under the recently approved stock repurchase program as of the date of this annual report.

During 2011, 2010 and 2009 we repurchased $0.6 million, $0.2 million and $0.3 million of shares surrendered in lieu of taxes under vesting of restricted stock awards, respectively. We have not paid any dividends during the two recent fiscal years or any subsequent interim period, and we do not intend to pay any cash dividends in the foreseeable future. In addition, our credit facilities contain covenants which limit the payment of dividends on our common stock.

The following table details our repurchases of shares of our common stock for the three months ended December 31, 2011:

| Period | Total Number of Shares Purchased | Average Price per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under Plans or Programs(2) |
|---|---|---|---|---|
| October 1 31, 2011 | | $ | | $ 9.9 million |
| November 1 30, 2011 | 5,047 | $ 8.93 | | $ 9.9 million |
| December 1 31, 2011 | | | | $ 9.9 million |
| Total | 5,047 | $ 8.93 | | |

(1) The shares purchased represent shares surrendered in lieu of taxes under vesting of restricted stock awards.

(2) The value of shares that may be repurchased reflect the value available under the 2008 program. We no longer intend to make any repurchases under the 2008 program and in February 2012 our Board of Directors approved a new stock repurchase program of up to $50 million of outstanding common stock.

**Performance Graph**

The following graph reflects a comparison of the cumulative total stockholder return of our common stock from January 1, 2007 through December 31, 2011, with the New York Stock Exchange Market Value Index, a broad equity market index, and the Morningstar Oil & Gas Equipment & Services Index, an industry group index. The graph assumes the investment of $100 on January 1, 2007 in our common stock and each index and the reinvestment of all dividends, if any. This information shall be deemed furnished not filed, in this Form 10-K, and shall not be deemed incorporated by reference into any filing under the Securities Exchange Act of 1933, or the Securities Act of 1934, except to the extent we specifically incorporate it by reference.

The Hemscott Oil & Gas Equipment/Services Index, the industry group index previously used in our performance graph is no longer available due to Morningstar s acquisition of Hemscott, and it has been replaced in the performance graph with Morningstar s Oil and Gas E&P Industry index, an index deemed to be the closest fit by composition and construction.

**ITEM 6.** ***Selected Financial Data***

The selected consolidated historical financial data presented below for the five years ended December 31, 2011 is derived from our consolidated financial statements and is not necessarily indicative of results to be expected in the future.

The following data should be read in conjunction with the consolidated financial statements and notes thereto and with Management s Discussion and Analysis of Financial Condition and Results of Operations in Items 7 and 8 below.

| | As of and for the Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| | (In thousands, except share data) | | | | |
| **Consolidated Statements of Operations:** | | | | | |
| Revenues | $ 958,180 | $ 715,954 | $ 490,275 | $ 858,350 | $ 671,207 |
| Operating income (loss) | 132,764 | 78,004 | (15,325) | 71,496 | 66,403 |
| Interest expense, net | 9,226 | 10,267 | 9,334 | 10,881 | 20,251 |
| Income (loss) from continuing operations | $ 80,017 | $ 41,626 | $ (20,573) | $ 39,300 | $ 31,763 |
| Loss from discontinued operations, net of tax | | | | (842) | (3,488) |
| Loss from disposal of discontinued operations, net of taxes | | | | | (1,613) |
| Net income (loss) | $ 80,017 | $ 41,626 | $ (20,573) | $ 38,458 | $ 26,662 |
| Net income (loss) per common share (basic): | | | | | |
| Income (loss) from continuing operations | $ 0.89 | $ 0.47 | $ (0.23) | $ 0.44 | $ 0.35 |
| Net income (loss) per common share | $ 0.89 | $ 0.47 | $ (0.23) | $ 0.43 | $ 0.30 |
| Net income (loss) per common share (diluted): | | | | | |
| Income (loss) from continuing operations | $ 0.80 | $ 0.46 | $ (0.23) | $ 0.44 | $ 0.35 |
| Net income (loss) per common share | $ 0.80 | $ 0.46 | $ (0.23) | $ 0.43 | $ 0.29 |
| **Consolidated Balance Sheet Data:** | | | | | |
| Working capital | $ 406,976 | $ 329,371 | $ 163,110 | $ 253,136 | $ 214,890 |
| Total assets | 886,837 | 737,342 | 585,114 | 713,679 | 643,493 |
| Foreign bank lines of credit | 2,174 | 1,458 | 6,901 | 11,302 | 7,297 |
| Current maturities of long-term debt | 58 | 148 | 10,319 | 10,391 | 11,565 |
| Long-term debt, less current portion | 189,876 | 172,987 | 105,810 | 166,461 | 158,616 |
| Stockholders equity | 497,846 | 417,347 | 368,022 | 377,882 | 360,664 |
| **Consolidated Cash Flow Data:** | | | | | |
| Net cash (used in) provided by operations | $ (13,558) | $ 31,476 | $ 88,819 | $ 28,687 | $ 68,171 |
| Net cash used in investing activities | (63,150) | (10,549) | (17,144) | (23,168) | (40,292) |
| Net cash provided by (used in) financing activities | 18,338 | 50,621 | (66,265) | (2,062) | (35,649) |

**ITEM 7.** ***Management s Discussion and Analysis of Financial Condition and Results of Operations***
The following discussion of our financial condition, results of operations, liquidity and capital resources should be read together with our Consolidated Financial Statements and Notes to Consolidated Financial Statements included in Item 8 of this Annual Report.

**Overview**

We are a diversified oil and gas industry supplier providing products and services primarily to the oil and gas exploration ( E&P ) industry. We operate our business through three reportable segments: Fluids Systems and Engineering, Mats and Integrated Services, and Environmental Services. Our Fluids Systems and Engineering segment, which generated 83% of consolidated revenues in 2011, provides customized drilling fluids solutions to E&P customers globally, operating through four geographic regions: North America, Europe, the Middle East and Africa ( EMEA ), Latin America, and following our April 2011 acquisition (as described below), Asia Pacific.

Our Mats and Integrated Services segment, which generated 12% of consolidated revenues in 2011, provides composite mat rentals, well site construction and related well site services to E&P customers in the U.S. We also sell composite mats to E&P customers outside of the U.S., and to domestic customers outside of the oil and gas industry. Our Environmental Services segment, which generated 5% of consolidated revenues in 2011, processes and disposes of waste generated by E&P customers along the U.S. Gulf Coast. While we continue to expand our operations globally, particularly in our Fluids Systems and Engineering segment, our North American operations generated 77% of consolidated revenues in 2011.

During 2011, we have continued the North American roll-out of Evolution™, our high performance water-based drilling fluid system launched in 2010, which we believe provides superior performance and environmental benefits to our customers, as compared to traditional fluids systems used in the industry. After the initial introduction into the Haynesville shale last year, the system is now being used by customers in several major North American drilling basins. Revenues from wells using the Evolution system were approximately $67 million in 2011.

In April 2011, we completed the acquisition of the drilling fluids and engineering services business from Rheochem PLC, a publicly-traded Australian-based oil and gas company. The acquired business provides drilling fluids and related engineering services with operations in Australia, New Zealand and India. Total cash paid was AUD$27.2 million ($28.8 million), including post-closing payments of AUD$0.8 million ($0.8 million) based on a true-up of the final working capital conveyed at closing and AUD$2.0 million ($2.1 million) related to a six month earn-out provision in the agreement. Additional consideration may also be payable based on financial results of the acquired business over a one year earn-out period, up to a maximum additional consideration of AUD$19.3 million (approximately $19.6 million at the current exchange rate). Following the April acquisition, this business generated $24.6 million of revenues in 2011.

Our operating results depend, to a large extent, on oil and gas drilling activity levels in the markets we serve, as well as the depth of drilling, which governs the revenue potential of each well. The drilling activity in turn, depends on oil and gas commodity pricing, inventory levels and demand, and regulatory actions, such as those affecting operations in the Gulf of Mexico in 2010 and 2011.

Rig count data is the most widely accepted indicator of drilling activity. Average North American rig count data for the last three years ended December 31 is as follows:

| | Year ended December 31, | | | 2011 vs 2010 | | 2010 vs 2009 | |
|---|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2009 | Count | % | Count | % |
| U.S. Rig Count | 1,879 | 1,546 | 1,087 | 333 | 22% | 459 | 42% |
| Canadian Rig Count | 419 | 348 | 223 | 71 | 20% | 125 | 56% |
| Total | 2,298 | 1,894 | 1,310 | 404 | 21% | 584 | 45% |

Source: Baker Hughes Incorporated

North American drilling activity declined dramatically during 2009 from the elevated levels experienced in 2008. In response to these declines, we executed cost reduction programs during 2009 including workforce reductions, reduced discretionary spending and salary reductions. As part of this cost reduction program, we reduced our North American workforce by 548 employees. As a result, operating results for 2009 include $4.5 million of charges associated with employee termination and related costs.

In April 2010, the Deepwater Horizon drilling rig sank in the Gulf of Mexico after an explosion and fire, resulting in the discharge of oil from the well. Following the Deepwater Horizon oil spill, the Department of Interior of the U.S. government took several actions aimed at restricting and temporarily prohibiting certain drilling activity in the Gulf of Mexico. While the Department of Interior has since announced the formal end of the drilling moratorium placed in effect in May 2010, increased permitting requirements are applicable to both shallow water and deepwater drilling activities. As a result, drilling activity in the affected areas of the Gulf of Mexico have not yet recovered to first quarter 2010 levels, and the near-term outlook remains uncertain.

**Year Ended December 31, 2011 Compared to Year Ended December 31, 2010**

**Consolidated Results of Operations**

Summarized results of operations for the year ended December 31, 2011 compared to the year ended December 31, 2010 are as follows:

| | Year Ended December 31, | | 2011 vs 2010 | |
|---|---|---|---|---|
| | 2011 | 2010 | $ | % |
| | (In thousands) | | | |
| Revenues | $ 958,180 | $ 715,954 | $ 242,226 | 34% |
| Cost of revenues | 744,176 | 576,920 | 167,256 | 29% |
| Selling, general and administrative expenses | 81,672 | 64,157 | 17,515 | 27% |
| Other operating income, net | (432) | (3,127) | 2,695 | (86%) |
| Operating income | 132,764 | 78,004 | 54,760 | 70% |
| Foreign currency exchange loss (gain) | 522 | (1,134) | 1,656 | (146%) |
| Interest expense, net | 9,226 | 10,267 | (1,041) | (10%) |
| Income from operations before income taxes | 123,016 | 68,871 | 54,145 | 79% |
| Provision for income taxes | 42,999 | 27,245 | 15,754 | 58% |
| Net income | $ 80,017 | $ 41,626 | $ 38,391 | 92% |

***Revenues***

Revenues increased 34% to $958.2 million in 2011, compared to $716.0 million in 2010. This $242.2 million improvement includes a $201.3 million (37%) increase in revenues in North America, largely driven by the 21% improvement in the North America rig count. Revenues from our international operations increased by $40.9 million (23%) reflecting the contribution of the Asia Pacific region, following our April 2011 acquisition, along with continued growth in Brazil. Additional information regarding the change in revenues is provided within the operating segment results below.

***Cost of Revenues***

Cost of revenues increased 29% to $744.2 million in 2011, as compared to $576.9 million in 2010. The increase is primarily driven by the 34% increase in revenues. Additional information regarding the change in cost of revenues is provided within the operating segment results below.

***Selling, General and Administrative Expenses***

Selling, general and administrative expenses increased $17.5 million to $81.7 million in 2011 from $64.2 million in 2010. The increase includes a $3.6 million increase in performance-based employee incentive compensation expense. In addition, 2011 includes $3.2 million of expenses incurred within the acquired Asia Pacific business, $1.0 million of transaction-related expenditures for this acquisition, $2.5 million of costs associated with strategic planning projects, and $2.3 million of implementation expenses associated with an operational and financial system conversion in the U.S. operations. The remainder of the increase is primarily attributable to additional costs required to support the increase in revenues.

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***Other Operating Income, Net***

Other operating income was $0.4 million in 2011, compared to $3.1 million in 2010. The 2010 results included a $3.1 million gain, reflecting net proceeds from the settlement of a lawsuit and proceeds from the insurance claims in our Mats and Integrated Services segment.

***Foreign Currency Exchange***

Foreign currency exchange was a $0.5 million loss in 2011, compared to a $1.1 million gain in 2010, and primarily reflects the impact of currency translations on assets and liabilities held in our foreign operations that are denominated in currencies other than functional currencies. Our foreign operations have a portion of their cash and accounts receivable that are denominated in U.S. dollars. During 2010, our foreign currency exchange transactions were favorably impacted by the weakening U.S. dollar as compared to other currencies in our foreign operations, while 2011 was negatively impacted by the strengthening U.S. dollar.

***Interest Expense***

Interest expense decreased to $9.2 million in 2011, compared to $10.3 million in 2010. The 2010 fiscal year included a $1.2 million charge for the termination of our interest rate swap agreements. See *Liquidity and Capital Resources* below for additional information.

***Provision for Income Taxes***

The provision for income taxes for 2011 was $43.0 million, reflecting an effective tax rate of 35.0%, compared to $27.2 million in 2010, reflecting an effective tax rate of 39.6%. The high effective tax rate in 2010 was due to losses generated in Brazil for which the recording of a tax benefit was not permitted.

**Operating Segment Results**

Summarized financial information for our reportable segments is shown in the following table (net of inter-segment transfers):

| | Year ended December 31, | | 2011 vs 2010 | |
|---|---|---|---|---|
| | **2011** | **2010** | **$** | **%** |
| **Revenues** | | (In thousands) | | |
| Fluids systems and engineering | $ 798,957 | $ 597,795 | $ 201,162 | 34% |
| Mats and integrated services | 110,411 | 69,397 | 41,014 | 59% |
| Environmental services | 48,812 | 48,762 | 50 | 0% |
| Total revenues | $ 958,180 | $ 715,954 | $ 242,226 | 34% |
| **Operating income (loss)** | | | | |
| Fluids systems and engineering | $ 90,683 | $ 56,234 | $ 34,449 | |
| Mats and integrated services | 52,678 | 26,684 | 25,994 | |
| Environmental services | 11,909 | 13,447 | (1,538) | |
| Corporate office | (22,506) | (18,361) | (4,145) | |
| **Operating income** | $ 132,764 | $ 78,004 | $ 54,760 | |
| **Segment operating margin** | | | | |
| Fluids systems and engineering | 11.4% | 9.4% | | |
| Mats and integrated services | 47.7% | 38.5% | | |